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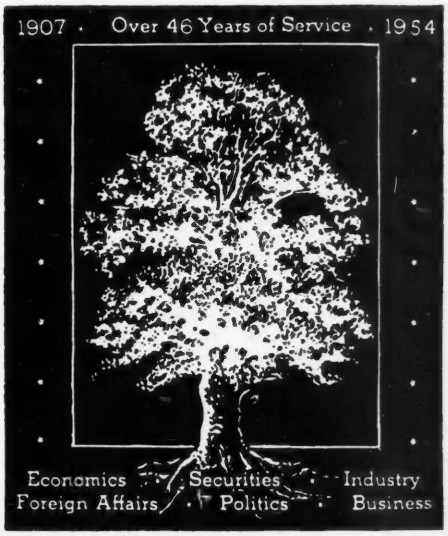
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE BUDGET AND TAX CUTS . . . The madness of the times apparently has even touched hitherto impeccably conservative political leaders such as Senator George. Much to the surprise of everyone, the Senator recently joined the ranks of Keynsians and, plumping for the straight New Deal line, came out for that old favorite—lifting the buying power of the rank and file by raising income tax exemptions. That this idea should be peddled by confirmed left-wingers is nothing strange but that it should be pushed by such a staunch defender of a sound economy like Senator George is disconcerting to say the least. Worse, his example seems to have contaminated the thinking of some Republican leaders who have joined the procession and are pressing for wholesale tax concessions believing that by adopting this position they can curry favor with the voters and thus take the trade away from the democrats.

To stop this rush to the tax bandwagon, Secretary Humphrey now says unequivocally that the Eisenhower Administration will stand fast against handing out further tax cuts (aside from some moderate excise tax adjustments) calling attention to the fact that tax cuts already in effect will cost the Treasury about $6.5 billion in revenue. The budget is already out of whack and will remain so for at least another two years. Opening the gates wide to further tax cuts would provide us with a budgetary deficit well up in the stratosphere. The Eisenhower Administration has firmly promised to put the financial house of the government in order and it should not yield on this crucial point, at the first sign of trouble. Secretary Humphrey realizes this and that is why he took pains to emphasize his position but the President will have to make a fight of it in Congress unless he wants to take the risk of having his program ruined.

Everyone wants a tax cut and there is no doubt it would be especially welcome at a time when income may be threatened. But, we have to deal with first things first. We still have an expensive military budget to take care of and there is very little that can be whittled off government expenditures. Therefore, the Treasury has got to have the revenue. The American people understand this very well and can be counted on to support a really sound program, even though sacrifices must be made. We doubt that they could appreciate so-called tax relief if it is at the cost of risking another major inflationary spiral, such as would occur with a further series of large national deficits. The people, at bottom, have a serious approach to the vote and will see through the attempts of politicians of both parties to gain support at the coming elections by offering tax relief to an amount the country cannot afford.

THIS IS TOO MUCH . . . If the American Federation of Labor's intervention in the hat-workers' strike against the Hat Corp. of America at South Norwalk, Conn. should attain its aim, we may eventu-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

ally witness a situation in which unions can dictate to industry where it can and cannot have its plants. This would be dictatorship with a vengeance.

The union wants a guarantee that the company, which is burdened with high labor costs, will not seek a cheaper labor market in some other part of the country. The company, on the other hand, naturally wishes to maintain its right to locate wherever it deems its best interests (including labor) will be served. If the union should have its way, the company would be forced to continue its present unprofitable operations. Eventually, it might be put out of business and the workers would lose their jobs. Apparently, this possibility does not concern the high echelons in the A. F. of L., whose jobs manifestly are safer. Thus, the situation exposes itself as the product of utter cynicism.

Actually, we have here an instance of how union leaders can mesmerize themselves into believing that control of their union gives them the right to impose a kind of "Alice-in-Wonderland" economy on our society. In this particular case, not only the company but the workers would be the victims. The time seems to have arrived for the union members to take a good look at their leadership, mark the dangerous direction in which it is traveling, and get themselves some new leaders whose power isn't so likely to go to their heads.

A TRIUMPH OF TECHNOLOGY . . . In a fascinating article in this issue on the new "wonder" metal, titanium, it is shown that this new industry, barely four years old, alheady has an output of nearly $100 million a year. This is a remarkable achievement for so young an industry. Apparently, it is destined to grow even more rapidly in coming years.

Thus, we have another example of the immense and dynamic technique of the American research specialist and the engineer. Back of their skills, is the enterprising American industrial management. This combination is accountable for the speed with which some of our new industries has grown.

Sometimes, foreigners exclaim in wonder at these achievements, hailing them as miracles. There is no miracle. The secret of our tremendous advance in new products is complete freedom to experiment, unabashed enthusiasm for new ideas, and willingness to risk mistakes with capital. As long as our industrial leaders are unafraid to venture forth on new paths, we believe that American technology will encounter many more triumphs.

CONTRACTION IN LOANS . . . Since the summer of 1953, business loans have been contracting at a fairly rapid rate, and by now have reached a point well under any years since 1950, thus marking the end of the three-year expansion which started with the outbreak of hostilities in Korea. The Chicago Federal Reserve Bank, in reporting on these conditions, states that the present trend "bears a fair resemblance to movements in 1948." In that year, the usual spring decline and autumn rise in loans were less than seasonal, with a particularly small increase in the fourth quarter loan total. The bank states that if this pattern is duplicated, the first half of 1954 will show the widest decline in business loans in five years.

Contraction is especially noted in loans to sales finance companies as a result of lower demand for consumer credit; less-than-seasonal borrowings from the food, tobacco and liquor industries; and the drying up of borrowings from the metal industries, which, in fact, have not been borrowing since 1952 as a result of the ending of their post-war expansion. There is also some evidence of a slower rate of borrowing from the public utility, petroleum and chemical industries which, for years, have been in the market for long-term loans to finance expansion programs.

The changing loan situation is, of course, a natural accompaniment of the slow-down in business. It is significant that the drop in borrowings has coincided with the lower prevailing money rates. This would tend to substantiate the impression that low money rates in themselves do not stimulate businessmen to increase their borrowings. They are more likely to do this in a period of a rising volume of output and sales.

THE BUSINESS OVERHEAD . . . The very high rate of output in the past few years has served to conceal the fact that for most corporations, fixed costs in conducting business have been rising steadily. With a decline in the volume of production and sales such as is now occurring, the question arises as to how vulnerable profit margins will be to unyielding fixed costs. The situation is aggravated because overcapacity in many lines of business and industry makes it more difficult to cut down on overhead. Some companies are attempting to meet the challenge by weeding out all uneconomic labor, improving their sales techniques, installing labor-saving machinery and concentrating operations in their more efficient and economical establishments. Since it is probable that present excess capacity cannot be absorbed for a considerable period, the outlook is that business and industry will concentrate in the meantime on effecting the greatest possible economies in their operations.

THE CHILEAN COPPER IMPASSE . . . The Chilean government has about 100,000 tons of copper that it would like to add to the United States stockpile. Thus far, it has been unable to do so and the outcome depends to a large extent on pending Chilean legislation on the question of tax relief for American-owned mines and foreign exchange relief.

In the meantime, the overhanging Chilean surplus poses a threat to copper prices which, added to the drop in new orders, gives a rather gloomy cast to future prospects. At present, world surplus is about 400,000 tons which is about double that of a year ago. As long as the Chilean surplus was kept out of the market, as was the case last year, prices could hold fairly steady but there can be little doubt that when this accumulation is freed, the impact on copper prices will be noticeable. The present world average price is about 30 cents. Under United States contrils, it sold at 24½ cents. Some observers believe the metal will head for this price in the not distant future. Already fabricators have been trimming their prices, probably in expectation of this event.

As I See It!

By E. D. KING

LET US STOP RISKING OUR FUTURE

Secretary Dulles, it seems to us, took a risk in agreeing to invite the aggressor state, Red China, to attend the Korean-Indo-China talks in Geneva, next April. Most Americans entertain misgivings over this venture, fearing that it may be only a first move in a series that can eventually lead to recognition of the Peiping government, and its ultimate admission to the United Nations. It is true that the Secretary, on his return to America, denied that this could possibly be the fruit of the Geneva conference. Yet, no matter how reasoned his explanation, he may find it difficult to avoid exposing himself to a charge of "appeasement" as soon as he sits down at the conference table with Chou-En-Lai, the foreign minister of Communist China. Already, Peiping has gained enormous prestige as a result of its invitation to high-level talks and will make the most of this world-wide forum as soon as the conference starts.

"RINGSIDE SEAT, AT LAST"

Loring in the Evening Bulletin

Many leaders of his own party have openly expressed dissatisfaction with the Secretary's course at Berlin insofar as it concerns China. With acute perception, Senator Knowland recognizes the danger of negotiating with the Red Chinese at this time and suspects that they gained a vital point when we allowed ourselves to be maneuvered by Mr. Molotov into meeting with Peiping, before we were able to secure a reasonable settlement in Korea. In view of our past unfortunate experiences in negotiating with the Communist powers, the Senator properly sees no virtue in a new meeting, particularly with the Chinese. He knows very well that consolidation of the Communist victory in China poses a fearful threat to our security. He feels that the invitation to Peiping will further strengthen its hand and that this is too much of a price to pay even though, as Secretary Dulles hopes, we get France into the European Defense Community if the Chinese should agree to a settlement in Indo-China. We somehow seem to have landed in a position where we appear to be attempting to appease both the Chinese communists and the French at the same time without in any way furthering our interests in Southeast Asia.

What do we gain by this? At most, a European Defense Community — on paper — that might be voided at a future time if some present West European governments should be overthrown — by no means an unlikely development — and replaced by governments lukewarm or even openly hostile to our cause. The recent success of the Bevanites in the Labor party caucus on the question of rearming Germany should be a warning of what may lie in store. We should not ignore it.

A Four-Power conference in Geneva, which in reality will become a Five-Power Conference, places us in a virtual position of inferiority, considering the ambiguous position of Britain in relation to China and the obvious desire of the French to come to some sort of accomodation with the communists. This is a dangerous game for the United States to play. If negotiations had to be undertaken, at all, they should have been conducted under the auspices of the United Nations.

Regardless of all these considerations, the basic factor for the United States to consider is its own security. This must come ahead of all else. For years we have been pursuing the goal of 'collective security" for the sake of the entire free world, including ourselves. We have tried this through the conference table, through arms aid on an unlimited scale, and we are still muddling along without a firm policy in the vital area of Asia where we are most exposed. We are still in mortal peril, one that grows every year with the internal consolidation of the Chinese Communist state. No one who considers the potential power of that state when (*Please turn to page* 708)

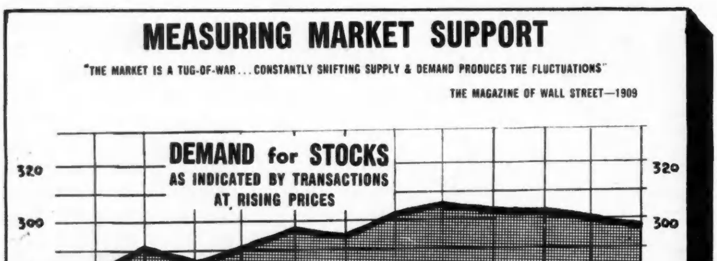
Highly Selective Tendencies in Market

The irregular February market failed to touch off any significant amount of selling but some soft spots appeared. Aside from a few individual issues, most stocks lost ground or milled around undecisively. Interim uncertainties continue to work for moderate-range, highly selective market. Our policy remains based on latter premise.

By A. T. MILLER

In a continuing highly mixed market, net changes in daily averages were small over the past fortnight as a whole, with industrials and utilities up slightly, rails down slightly. However, the performance was less negative than limited net changes for the period might imply. In the trading week ended February 19 there was a continuation of mild corrective tendencies. They were due mainly to less aggressive demand for stocks and to a moderate amount of profit taking. With the great majority of investors still more willing to hold stocks than to sell, recession in prices dried up on relatively low trading volume.

Despite the prior rise from the September, 1953, low of about 39 points by the industrial average, the maximum sell-off from the February 4 high to recent closing low on February 24 was only about 4½ points. Rails, which had reacted from a February 12 recovery high, gave up less than 2 points of a prior rise of some 13 points. The demonstration of support encouraged fresh demand toward the end of last week; and it became vigorous by Friday with the aid of three-for-one split news on General Electric. The rebound took the industrial average to a new 1953-1954 high; but it is so far less than a point above the early-February high, and the "penetration" reflected strength in a small minority of the 30 stocks in the average, principally General Electric, duPont and American Telephone. The rail average remained under its February 12 high, but within close striking distance of it. Favored by money-rate factors, as well as superior prospects for earnings and dividends, utilities edged up to a new bull-market high, after having dipped only nominally from the earlier high recorded February 12. High-grade income-type industrials have performed pretty much in line with utilities, both in recent minor correction and in betterment late last week.



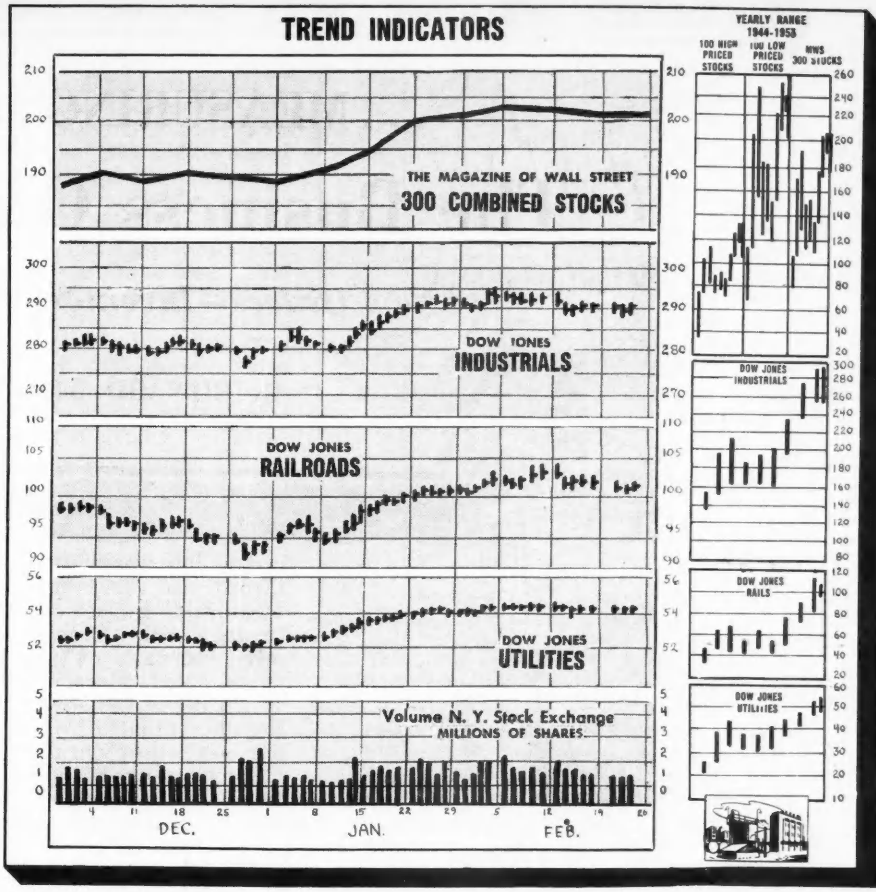
Near-Term Trend A Question

On the basis of recent performance, it is conjectural whether the market can develop a significant extension of the five-months-old rise; or will face deferred correction of the prior advance via reaction or a period of consolidation with the averages holding in a narrow range. It can be said, however, that the limited scope of recent recession suggests, so far as it goes, less vulnerability in the technical position than might have been assumed after so substantial a rise; and that general market behavior to date gives much more comfort to the bull side than to bears.

Fundamental factors imply a better basis for more advance in utilities and income stocks generally than in the main body of industrials; and a better basis for upward tendencies in the types of prominent stocks included in the Dow industrial average, some of them subject to steady institutional demand, than

in rails. Yet the latter have so far been able to ignore significant shrinkage in traffic and monthly earnings to a surprising degree.

As would be expected, with the averages around this top 1954 range, many more individual stocks are daily recording new 1953-1954 highs than are sagging to new lows, although both totals are small relative to listed issues. Stocks in special demand are mostly institutional-grade income or growth stocks, plus a scattering of special-situation lower-grade industrials thought to be under-valued on earnings or affected by favorable news developments of one kind or another. Generally speaking, there is still more good news – such as dividend boosts, stock splits, good 1953 earnings reports or other developments – coming from individual companies than bad news. A few such instances in recent days were the General Electric split news heretofore cited; and boosts in quarterly dividend rates by National Lead and others.



The market has to contend with preparation for the heavy March 15 income tax payments, which tend to reduce cash available for investment. Moreover, varying degrees of reaction or irregularity have not been uncommon in portions of the late winter or early spring season, especially after substantial prior advances. Additionally, there is the question whether the hoped for spring business improvement will develop; and, if not, what the Administration and Congress may do about it. With the time for action not far hence, there are questions about the details of tax revision. Also, the first quarter earnings reports will make a less favorable year-to-year comparison in many cases than the 1953 annual reports now coming out.

These considerations are on the restraining side, but might be balanced, or even more than balanced, by the basic supporting factors which for five months have enabled the market largely to ignore business recession, and uncertainty on one count or another. These are fairly moderate price-earning ratios, as compared with past extremes, even allowing for average shrinkage of perhaps 15% or so in 1954 profits; much higher dividend yields, both absolutely and in relation to bond yields, than were available at older market highs such as those of 1946, 1937 or 1929; confidence that total 1954 dividends will hold close to, or even at, the record 1953 level; confidence in the over-all policy of the Administration; and long advance psychological preparation for business recession which has yet to exceed the moderate limits heretofore allowed for in investment thinking.

Corporate cash positions are being made more comfortable by relief from EPT and by increased depreciation charges in many instances; also by eased work capital and expansion needs. A payout of something like 55%, or a little more, of reduced 1954 earnings, against 47% last year and normal prewar ratios around 70%, would suffice to keep total dividends at the 1953 level. Thus, "dividend confidence" appears to be well founded. On an annual, although not an interim, basis, the general level of stock prices has historically held much more in line with dividends than with earnings or the trend of production.

Looking back on the 1937-1938 slump and the 1948-1949 recession, under Democratic Administrations which talked much about Federal "economic planning", it may be open to question how much Government action can affect this decession one way or the other. It might run its course before Government moves have time to amount to much beyond a helpful effect on business and investment psychology. We do not see a basis for serious or protracted depression. If that is correct, drastic Government action is neither needed nor desirable. We would not be having a recession if internal adjustments in the economy – in the interest of its long-run health – were not needed.

There is no change in policy. Continue to hold reasonably conservative reserves and to emphasize close discrimination in portfolio shifts or special-situation buying. —Monday, March 1.

. . . MEASURING . . .

The Business Outlook

New Orders—Inventories—Backlogs

By HOWARD WINGATE

The recessionary trend that began around the middle of 1953 has now eaten its way into most of the standard indicators of business conditions. Certain of these indicators—figures on retail inventories and sales, inventories, new orders and backlogs figures for manufacturing—are now the center of attention of business analysts in and out of the government.

Particularly in the manufacturing sector, where basic trends start early and appear in exaggerated form, the picture of the basic forces forming the current recession has become extremely clear. The available data in these series are analyzed in some detail below. They point, broadly, to two alternative conclusions. *First,* the recession of the past nine months began in inventory policy, and it has remained largely localized to inventory policy. But the rate of inventory adjustment has become extraordinarily rapid—so rapid as to raise questions whether it must spread out and precipitate a more general form of recession. *Secondly,* the very speed of the adjustment suggests that *unless* it spreads to other areas, it will exhaust its own momentum very quickly — possibly even by mid-year. Which of the two courses it will follow seems to depend on developments in two key hard-goods sectors: consumer durables, and capital goods.

Conditions at the Manufacturing Level

Manufacturing industries—notably the durables manufacturing segment—now constitute the storm center of the recession. In general, the flow of new orders into these industries has been seriously retarded, and this is now having a direct and readily measurable impact on sales rates. Despite a decline in durable inventories held at the manufacturing level, the ratio of inventory to sales has suddenly deteriorated. Moreover, the decline in sales rates, which began in earnest only a few months ago, has been accentuated by a very sharp drop in the backlog position of durables producers. The exhaustion of backlogs has been so rapid that despite the decline in sales rates, ratios of backlogs to sales have continued downward in virtually all hard goods industries.

By the end of 1953, sales of durables manufacturers had fallen about one eighth from their rate at mid-1953, while inventories were 3% above their mid-year level. The inventory-sales ratio had risen from 1.98 to 2.31. New orders have slid an astonishing 23%, and backlogs have fallen from about $70 billion to about $56 billion, a drop of 20%. Months of backlog, at current sales rate, have slipped from 5.31 to 4.82. At the shipment rates prevailing at mid-year, current backlogs of durables manufacturers amount to little more than four months' business, and they are still declining rapidly.

Something of the speed of this change may be noted from the fact that the rate of inflow of new business to durables manufacturers is now lower than at any time since early 1950. And if this comparison were corrected for price change, the rate of new orders in these industries is now as low as at any time during the 1949 recession. Moreover, the rate of decline in new orders in the last half of 1953 was faster than at any time in the postwar period.

The decline in new business generated in durables lines has been exceedingly widespread. Between June and December, new orders in the transportation industry fell by about 25%. In primary metals industries, the decline was as much as 40%; in electrical machinery, about 25%; in industrial machinery, 13%; in fabricated metals, about 6%; and in miscellaneous durables, about 10%.

This downturn in new order volume actually began before mid-year. For several months after the booking of new business fell off, however, sales volume in these industries was maintained by the device of eating into substantial backlog positions.

The result was a sudden spurt in the rate at which backlogs of unfilled orders were being consumed. Between June and December, 1953, backlogs of transportation equipment producers subsided from $28.8 billion to $22.7 billion, a decline of 21%. Primary metals backlogs fell over 25%; fabricated metal products, about 22%; electrical machinery, 16%; other machinery, 15%; and miscellaneous durables, about 22%.

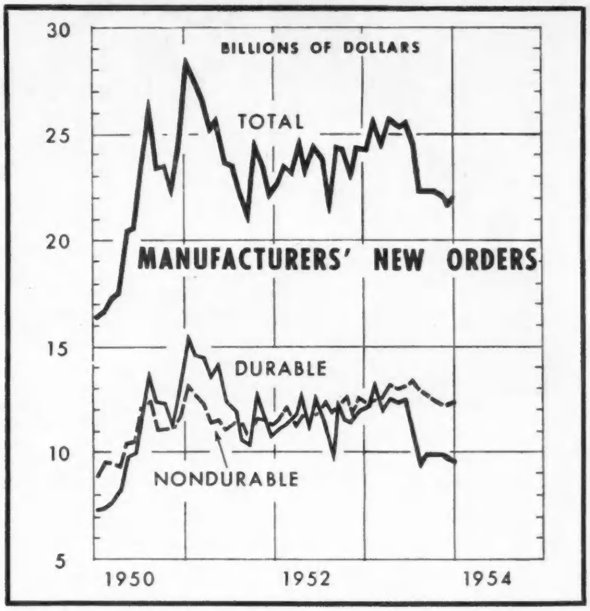
Despite this rate of backlog consumption, actual shipments of durables producers have been subsiding at increasing rates since their peak in July of 1953. The half-year decline in shipments amounts to 5% in transportation equipment; over 25% in primary metals; about 20% in fabricated metals; 10% in electrical machinery; about 15% in other machinery. Minor declines have also occurred in the miscellaneous durables industries, with the only notable exception being professional and scientific instruments.

What is noteworthy about these trends in durables manufacturing is that the subsiding of orders and shipments has been much more rapid than the reduction in inventories held by these industries. In primary metals, inventories did not reach a peak until September 1953, and their decline between September and early 1954 has amounted to only 3%. In non-electrical machinery industries, the peak in inventory came in November, and the decline since November has amounted to only little more than 1%. Stocks of electrical machinery producers reached a peak in November, and have since declined about 2%. At year-end, inventories of transportation equipment producers had yet to show any clear tendency to peak and decline. For the aggregate of the durables manufacturing sector, year-end inventories were less than 1% below their October peak of $27.0 billion.

This illustrates a mechanism in the manufacturing sector that arises in every recession. It takes time (in some industries, a great deal of time) to reverse the flow of inventory. But it takes very little time for the industry's sales rate to decline under the impact of falling orders and backlogs. Result: in durables manufacturing, the inventory-sales ratios of most industry groups have been surging upward at the very time when analysts have been expecting inventory correction. For all durables manufacturing, the inventory-sales ratio at the end of 1953 stood at 2.3, the highest of recent years and considerably above pre-Korea experience. In primary metals industries, and in non-electrical machinery, the ratio had risen to fully 25% above normal historical experience.

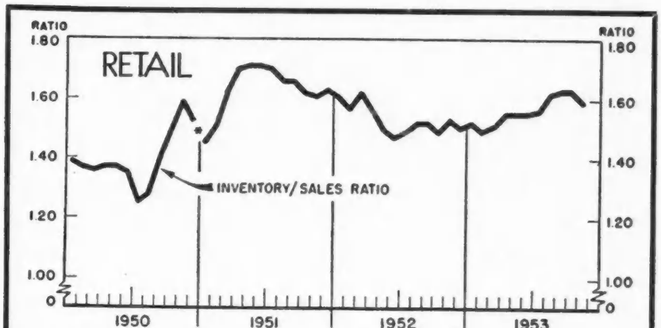
Soft Goods Lines Less Sensitive

Among nondurables manufacturers, the response of sales, inventories, orders and backlogs to the recession of late 1953 has been much more stable, and even now it is hard to locate signs of serious stress in these industries. Part of the reason for this relative insensitivity to inventory recession is the fact that nondurables stocks experienced only moderate growth during the years of the Korean war. Soft goods inventories held by manufacturers at the peak of the cycle in mid-1953 had been virtually unchanged for two years, whereas inventories of durables manufacturers showed an increase of 12% over mid-1952, and about 30% over mid-1951.



Moreover, sales of nondurables industries held up well in the last half of 1953, and inventory-sales ratio have remained altogether reasonable. The only serious sign of pressure among these industries is the disappearance of backlogs in soft goods lines in recent months. At year-end the aggregate ratio of backlogs to sales in soft goods manufacturing was strikingly low, even measured against pre-Korea experience.

Of the industries comprising the soft-goods group, only textiles now disclose an inventory-sales ratio significantly above its historical normal, and in this one industry inventory liquidation among manufacturers appears to be (*Please turn to page* 700)



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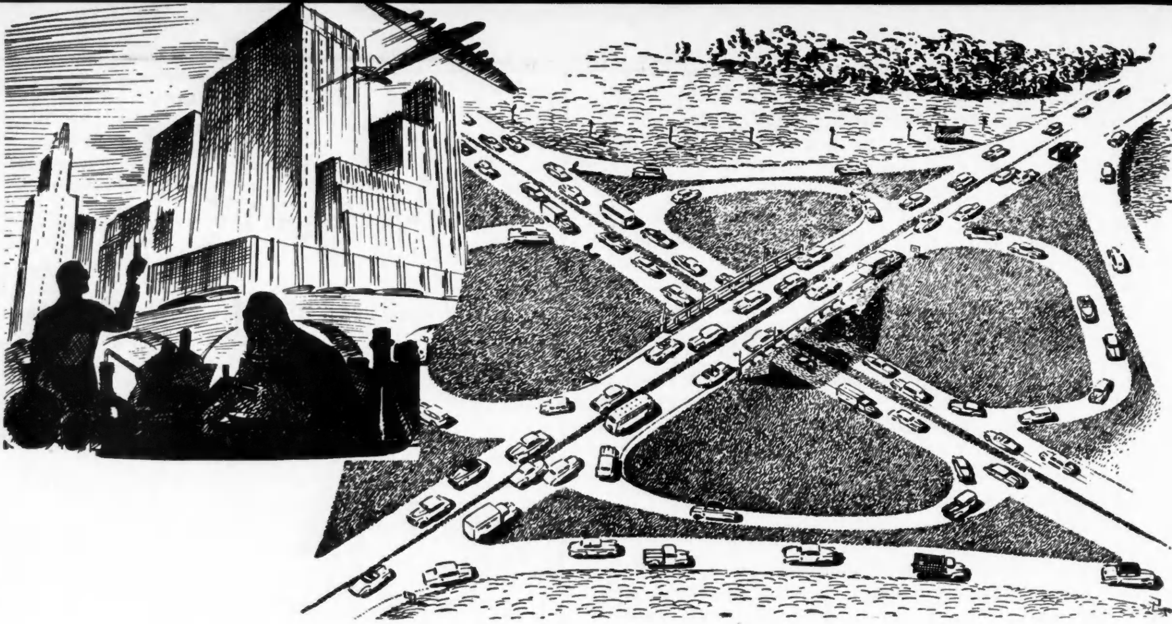


. . . *How We Have Outgrown* . . .

Our New Transportation Arteries

By W. L. RADFORD

The tremendous growth of the nation's population and the gigantic distribution of industry in many sections of the country has virtually undone the transportation systems of our large cities and the manufacturing centers, as well as the numerous surrounding localities that depend upon them.

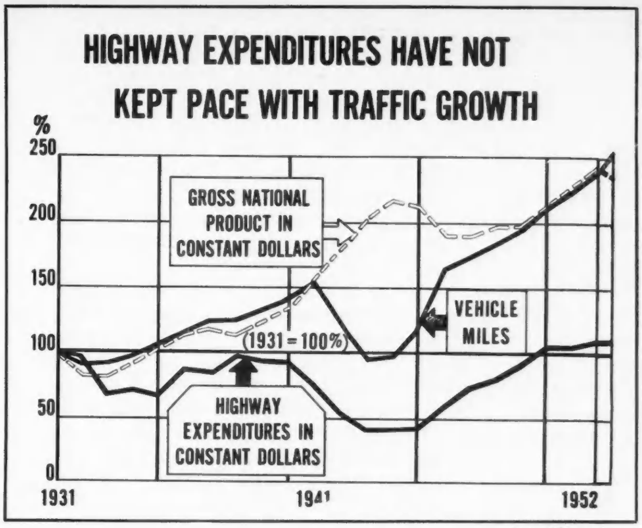
So rapid have been these developments that most attempts to cope with the resulting problems have not succeeded in full measure. Even new transportation facilities, put into use during the past few years, have been outstripped because of the pressures generated by the new dynamism in American industry. The implications of all this to industry, the merchant, the investor, and to city and state officials, are tremendous, inasmuch as they involve revolutionary methods in dealing with the problems that in the long run will involve the expenditure of tens of billions of dollars.

In many of our great cities conditions have reached the explosive stage. The Pacific Coast metropolis of Los Angeles is a striking example of how a rapidly increasing population brought into the area by the influx of manufacturing activities which in turn create a bewildering assortment of other new industries and other types of business, can quickly render even new and modern highways systems inadequate for the purposes intended. The city of Los Angeles, together with its neighboring communities of Long Beach and Pasadena forming Los Angeles County, has a population of approximately 4.75 million, doubing in the past generation and taking on greatly increased importance as the center of vast new industries since the beginning of World War II.

Prior to Pearl Harbor the Arroyo Seco Freeway, seven miles in length from downtown Los Angeles to Pasadena, was the only freeway in the city. Recognizing that population growth was creating entirely new problems in transportation systems, both the city and the state of California initiated moves to tackle the problem fundamentally. New freeways were mapped out and since the end of the war approximately $500 million have been spent in constructing new roads and other facilities. Included in the system is the Hollywood Freeway, 8 lanes of concrete pavement each 12 feet wide, carrying a peak load of close to 100,000 vehicles per day back in 1952. This freeway, along with others, serving the Los Angeles area are considered of the most advanced design for solving congestion problems in the central business district where conditions are the worst. They have proved inadequate. Now, the state working with the municipalities has plans for the establishment of a California expressway system, consisting of 2,160 miles, as the primary highway system to meet California's future needs.

In line with its program, the California highway department, as 1953 drew to a close, adopted the largest regular construction budget of any state in the nation's history, scheduling the expenditure of $205 million for the fiscal year beginning July, 1954. This sum, 82% over the previous year's budget of $118 million, is exclusive of toll road construction, one item in this category being $62 million for the San Francisco bay crossing now under construction. It is estimated that the 1954-55 budget will represent something like $50 million installed steelwork, requiring approximately 160,000 tons of steel. A

good portion of the budget is expected to be applied to construction of the extensive freeway linking Los Angeles to the San Francisco bay area. Completion of the various freeways and the spectacular links now nearing completion to the Hollywood freeway will it is hoped, alleviate the congestion on the roads leading and into and out of Los Angeles. In the interim, however, the efficiency of tens of thousands of workers, many of whom must travel as much as 50 or 60 miles a day to get from home to work and back again is being materially affected. This has created a problem for manufacturing plants and business houses of the area as workers' complaints mount as to the cost of transportation.



Auto Mfrs. Assoc.

A curious by-product of the situation is the growing demand for foreign cars of small horsepower, some of which are capable of doing as much as 40 miles on a gallon of gasoline, thus providing more economical transportation as compared to 12 or 14 miles on a gallon delivered by the average American make car. Unlike many other large American cities which are serviced by subways, trolleys or buses, or a combination of all three, Los Angeles is entirely dependent on the passenger car or bus for transportation in the metropolitan area and outlying sections. In this fact lies the explanation as to why the County as of July, 1952, with passenger car registrations of 1,679,071 outnumbered Greater New York registrations by 550,000 with truck registrations of 205,745 which was just short of being double those in Greater New York.

These are statistics that help draw a vivid picture of Los Angeles traffic conditions. To relieve the situation to some extent, the city has literally put some of its traffic police up in the air, adopting helicopters which fly above the city and through walkie-talkie facilities maintain communication with squad cars on the road for the purpose of regulaing traffic and getting the squad cars to points where traffic jams have developed.

Conditions similar to those to be encountered in the Los Angeles are to be found in other large centers such as Pittsburgh, Philadelphia, Chicago and New York. Construction of toll roads and freeways, by-passing these communities, would divert through traffic from these cities, but would help little in lessening congestion or solving parking problems created by local pasenger cars and trucks.

In Philadelphia for instance, banks, business offices, theatres and the large department stores are all located within a relatively small downtown area noted for streets so narrow that the city long ago was forced to ban all curb parking and lay out a grid of one way thoroughfares. The fact that the city is served by subways, elevated lines, as well as buses, has not had an apparent effect on the increase in city automobile travel. The local transit company, for years, has been operating two fringe parking lots on the city's limits. These fields have been consistently patronied by motorists who continue their ride into the city proper by way of the company's elevated lines, but inasmuch as parking capacity is only 660 cars, full use of the facilities make hardly a dent in the city's traffic problems.

In the New York and Chicago areas certificated helicopter airlines have been practically forced into existence by city traffic congestion. Passengers coming into Idlewild International Airport at New York are now able to fly to LaGuardia or the Newark airport in helicopters, while similar service is available in Chicago, and between Miami and Miami Beach and points north along the Florida coast to West Palm Beach. Indications are that use of the helicopter is likely to expand at an accelerated rate. Increased interest in this type of transportation is seen in the more than 40 applications for helicopter operations on file with the C.A.B., covering a number of important areas in the country.

Meanwhile, cities throughout the nation must continue to wrestle with not only today's traffic prob-

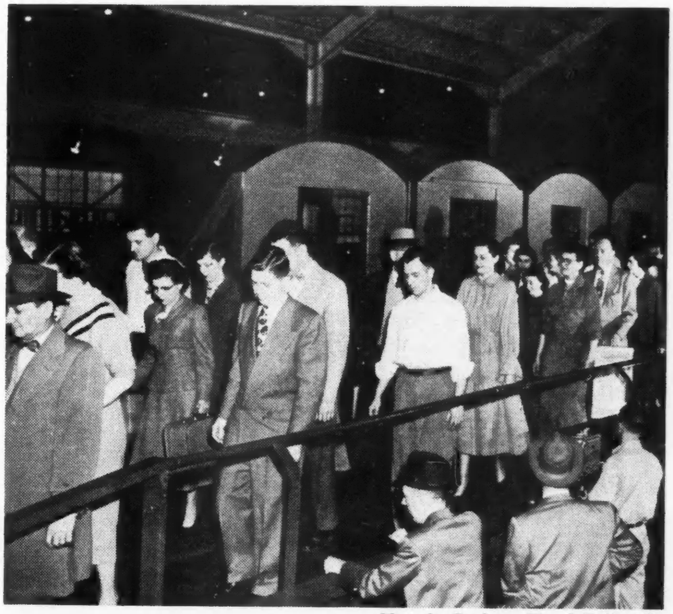


Photo by Goodyear Tire & Rubber Co.

Prototype of the "Speedwalk" in operation at Aurora, Illinois, at the Stephens-Adamson plant. First commercial installation of this type walk will be in the Hudson and Manhattan terminal in Jersey City, N. J.

lems but plan, so far as is humanly posible for the newer problems created by an increasing population and still more passenger cars, buses and trucks that will come into use. In an effort to arrive at a solution for relieving traffic jams in the New York City area, the Triborough Bridge and Tunnel Authority has joined with the Port of New York Authority in a $750,000 study of an over-all program involving five arterial projects and related approach systems that would divert through traffic from congesting city streets.

The authorities assert that this study was essential in the light of the failure to anticipate the unprecedened motor vehicle growth, declaring also facilities that were not expected to be needed until after 1960 actually should be under construction now. Coming up for consideration will be: a new lower level of the George Washington Bridge across the Hudson; another Hudson River bridge; a lower Manhattan expressway linking the Holland Tunnel with East River bridges now in existence, and the construction of a new bridge across the Narrows. It is too early to estimate the cost of all these projects, but unquestionably they would involve expenditures of hundreds of millions of dollars. The new Narrows bridge, possibly the first undertaking in the program, it is estimated, would alone cost $200 million.

The great metropolitan centers' traffic problems are matched by those of the smaller cities. Towns located in New York State's Mid-Hudson Valley, once regarded as the hinterlands, because of the influx of manufacturing activities within the last decade or so with an accompanying increase in population are confronted with traffic problems that demand solution. Poughkeepsie, for instance, one of the cities in the area, has developed into a center where it now appears to have the makings of a metropolis. It is there that International Business Machines Corp., in 1941 set up one of its plants that currently has a payroll of approximately $30 million distributed among about 8,000 workers. The majority of this group, some of whom have had to settle in adjoining towns to live, drive to and from the plant, adding to the flow of traffic created by more than a half million persons residing within a 30-mile radius of Poughkeepsie, to say nothing of the volume of through traffic that flows daily through the city streets.

What has happened in Poughkeepsie is not unique. Cities throughout many sections of the country are going through the same experience, but it is more pronounced in the larger cities. In many urban areas traffic congestion, aggravated by curb parking is putting a blight on local business. Officials concerned with these problems came to the conclusion some time ago, that through traffic and side street business in a built-up community are incompatible. In this connection, the California Division of Highways, as well as highway authorities in other localities, recognize the value of the by-pass route as the answer, in part, to the problem. If properly designed, the by-pass will allow through traffic that has no economic value to retail merchants to keep moving and induce potential buyers to enter the busines district to shop with safety and convenience. This has proved to be the case with the building of freeways to serve various communities all over the land. Local business men in the Indiana cities of Kokomo and Lebanon, according to the Highway Research Board in its Bulletin 67, "Some Economic Effects of Highway Improvement," interviewed six months after by-passes were completed around these municipalities found that such roads paid off in better business for them. Although tourist homes, hotels, and a few other establishments suffered some losses, 68% of Kokomo business men and 59% in Lebanon were sure that the by-passes had not harmed their business and were hopeful of attracting additional local customers because of them.

Helping to further the solving of traffic problems in many communities is the trend to off-street parking. This, as it appears, is apt to change character of many urban areas. As in Philadelphia and other cities "downtown" curb parking is already prohibited with more and more streets coming under the ban. While vacant land, used as parking lots, has been made available, such spaces are not at hand in every locality. The answer to the need is the parking garage.

In Los Angeles, the General Petroleum Corp., had constructed for the use of its employees and outsiders "a one-story building six stories high" for all-day parking. This structure consists of a single continuous ramp 60 feet wide, winding around a rectangular shaft, the ramp having a capacity of 487 cars. Other types of parking garages located in various cities have been built by department stores, banks and other businesses to accommodate customers or by independent operators to cater to the harassed motorist looking for a place to "light." The cost of these buildings range from several hundred thousand dollars, depending upon size, to $1 million spent by General Petroleum for its facility. In a number of cities special parking authorities have been formed to find ways and means to solve parking problems. Through powers granted by legislatures they are permitted to assemble property and construct facilities for use as parking areas. Local zoning regulations in some communities require all new buildings, creating a sizable parking demand, to provide a certain number of parking spaces on a basis of floor area, number of employees, or by some other (*Please turn to page* 705)

Federal-aid Highway Needs — 1953

(Compiled by American Association of Highway Officials)

State	Primary: Miles in need of Improvement	Primary: Cost (in thousands)	Secondary: Miles in need of Improvement	Secondary: Cost (in thousands)	Urban: Miles in need of Improvement	Urban: Cost (in thousands)	All Systems: Total Miles in need of Improvement	All Systems: Total Cost (in thousands)
Alabama	1,551	$ 126,131	5,411	$ 118,485	221	$70,778	7,183	$315,394
Arizona	1,712	126,098	2,497	68,511	73	34,814	4,282	229,423
Arkansas	2,775	234,789	11,854	280,069	115	101,323	14,744	616,181
California	4,556	982,614	5,971	646,920	534	1,077,581	11,061	2,707,115
Colorado	1,134	148,582	1,762	112,713	74	68,600	2,970	329,895
Connecticut	442	225,321	376	83,647	244	383,088	1,062	692,056
Delaware	362	63,731	983	21,597	41	40,635	1,386	125,963
Florida	2,647	223,579	3,754	172,442	364	434,406	6,765	830,427
Georgia	3,000	418,000	8,000	200,000	310	222,000	11,310	840,000
Idaho	2,024	176,754	2,439	73,064	40	15,290	4,503	265,108
Illinois	3,310	604,573	4,062	89,964	460	785,686	7,832	1,480,223
Indiana	3,374	327,343	5,683	334,179	284	65,940	9,341	727,462
Iowa	7,465	646,000	16,533	182,392	778	115,400	24,776	943,792
Kansas	3,910	338,679	10,575	116,990	168	120,150	14,653	575,819
Kentucky	3,010	240,800	13,200	528,000	105	70,500	16,315	839,300
Louisiana	2,000	160,000	3,800	91,200	198	171,282	5,998	422,482
Maine	887	84,799	694	27,974	76	45,048	1,657	157,821
Maryland	976	221,104	4,586	202,026	162	228,905	5,724	652,035
Massachusetts	813	249,460	1,910	269,028	657	442,663	3,380	961,151
Michigan	3.212	257,948	14,429	300,079	271	234,031	17,912	792,058
Minnesota	4.140	155,811	12,216	245,387	352	213,114	16,708	614,312
Mississippi	2,890	155,500	5,950	95,000	114	22,150	8,954	272,650
Missouri	5,437	385,664	11,730	101,700	243	284,000	17,410	771,364
Montana	4,200	306,600	1,950	64,350	27	10,600	6,177	381,550
Nebraska	3,416	185,311	4,952	114,080	78	31,957	8,446	331,348
Nevada	1,789	96,397	1,088	29,874	22	8,267	2,899	134,538
New Hampshire	828	88,597	852	60,243	100	23,960	1,780	172,800
New Jersey	703	881,550	1,097	112,779	255	670,300	2,055	1,664,629
New Mexico	1,852	176,530	2,367	95,660	60	24,000	4,279	296,190
New York	4.452	1,262,100	9,435	658,900	1,082	965,200	14,969	2,886,200
North Carolina	3.854	358,600	600	20,000	213	111,825	4,667	490,425
North Dakota	2,309	111,800	8,726	121,383	165	30,900	11,200	264,083
Ohio	2.800	600,000	3,900	390,000	400	750,000	7,100	1,740,000
Oklahoma	4,826	485,928	7,074	171,447	165	108,123	12,065	765,498
Oregon	2.930	216,817	3,203	106,465	108	67,285	6,241	390,567
Pennsylvania	3,800	837,880	4,656	297,015	196	213,056	8,652	1,347,951
Rhode Island	79	28,190	102	10,606	83	135,146	264	173,942
South Carolina	3,358	114,743	4,866	66,421	160	81,300	8,384	262,464
South Dakota	2,965	195,393	8,612	142,399	76	16,340	11,653	354,132
Tennessee	3,867	617,089	6,570	195,430	110	77,177	10,547	889,696
Texas	13,227	803,892	15,393	278,130	684	359,317	29,304	1,441,339
Utah	1,836	175,000	1,832	50,000	131	59,000	3,799	284,000
Vermont	806	121,461	944	34,172	35	17,570	1,785	173,203
Virginia	4,031	324,832	10,239	271,186	211	95,783	14,481	691,801
Washington	2,588	328,015	4,144	165,749	162	244,614	6,894	738,378
West Virginia	2,149	453,831	9,399	516,682	173	201,830	11,721	1,172,343
Wisconsin	4,280	428,000	14,800	624,000	200	140,000	19,280	1,192,000
Wyoming	2,145	124,975	772	22,613	27	11,804	2,944	159,392
District of Columbia	....	....	18	5,284	60	106,623	78	111,907
Hawaii	164	15,875	231	26,372	17	6,658	412	48,905
Puerto Rico	335	102,000	885	60,000	60	68,000	1,280	230,000
Total	141,216	$15,994,686	277,122	$9,072,607	10,944	$9,884,019	429,282	$34,951,312

Summary of mileages

	Primary	Secondary	Urban	Total
Total Approved	218,594	438,033	16,510	673,137
Percentage in need of Improvement	64.6%	63.3%	66.3%	63.8%

Engineering News-Record, January 21, 1954

Trend from
Bonds to Stocks

By JAMES CURTIS

The prudent investor, building his future soundly and according to a long-term plan, is governed to-day as in the past by considerations of security, but his definition of security is quite different than that prevalent a generation or two ago. At the end of the last century and for several decades thereafter, investors made investment security synonymous with ownership of bonds of the highest grade. Portfolios of trustees, for example, were largely concentrated in issues of this type. Common stocks—all common stocks—were regarded as speculative.

This was the natural reflection of a period of "high finance" when even the biggest companies of the time were over-capitalized, and failures and reorganizations commonplace. Behind the stocks of many companies was very little by way of real assets. "Watered stock", the accompaniment of the excessive and wild financing of the period, was pretty much the rule. On such a rickety financial foundation and an over-loaded capitalization, it did not take much of a business setback to wipe out earnings and bring the management running to the banks for loans, resulting in an even more top-heavy condition for their companies. It is not surprising, under these conditions, that careful investors stuck to their high-grade bonds and, as a rule, avoided common stocks like the plague, leaving this field to the financiers and stock market speculators.

America has come a long way since that time. It may be said that the common stock is gradually coming into its own and, when properly selected, legitimately forms the foundation of a long-range investment program, even for the most careful of investors.

How this has come about is one of the most fascinating stories of our nation's growth to economic maturity. It would take a very large volume, merely to describe this development in any detail, but it is worth at least tracing its outlines for a better understanding of the changes which have taken place in our investment markets.

Growth of Assets

While the new status of common stocks should be viewed against the broad, general background of the imposing economic growth of the country, especially in the past generation, on a more immediate level it may be attributed to the effective manner in which the enormous sums ploughed back into the companies were used. Instead of being mainly stock-minded, as were their forerunners, the modern corporation management is concerned principally with developing their companies' facilities to the utmost, leaving the stock to take care of itself on the premise that in the final analysis the value of stocks is determined by the success or failure of the company itself. This means that manipulation of stocks, which was a commonplace feature of the markets in the nineteen twenties and before, is no longer prevalent and that the stockholder now possesses a stronger basis for confidence in the worth of his investments. The Security & Exchange Commission has had a good deal to do with this improved position for common stocks but basically it is due to the fact that company managements spend their efforts on building for the future of their concerns instead of watching the stock market. This is the foundation on which depends future prospects for growth, earnings and dividends.

In the accompanying table, we see how the physical worth of some of our largest corporations has grown in the past fifteen years. Even allowing for the cheaper dollar, we can see how rapidly the value behind these stocks has climbed. We have mentioned only a few of our most important companies but many more could have been added to the last which have also been building solidly and whose stocks have attained investment status.

This brings us to the essential point—that the best grade common stocks are now more and more occupying the investment status held by bonds in former days. Theoretically, of course, this might be disproved according to the narrow concept that payment of bond interest must come ahead of common stock dividends and, hence, that bonds are superior as "safe" investments. Practically, however, the long sustained record of dividend payments by a

very large number of companies, quite often running back for 20 years and more, shows that dividend income may be just as secure for all intents and purposes.

Actually, bonds today are principally bought by large investors who have inheritance tax problems and who must provide their estates with ready means of obtaining cash; and, of course, by the large fiduciary concerns which must remain in a highly liquid position to provide for the steady stream of outgoing payments they are called on to make in pursuance of their duties. Short-term bonds are mainly bought by banks or corporations who must arrange to meet near-term financial obligations. Tax-exempts, as we all know, are found useful by investors in the high income-tax brackets. But for the average investor, which takes in a very large cross-section of the American investing public, the value of bonds as an integral part of investment portfolios has receded and common stocks have moved up to take their place. As the long-term investment status of common stocks improves and as investors come more to realize their essential investment value—as apart from purely speculative considerations—the larger the place they will occupy in investment programs.

8 Leading Common Stocks – 8 High-Grade Bonds

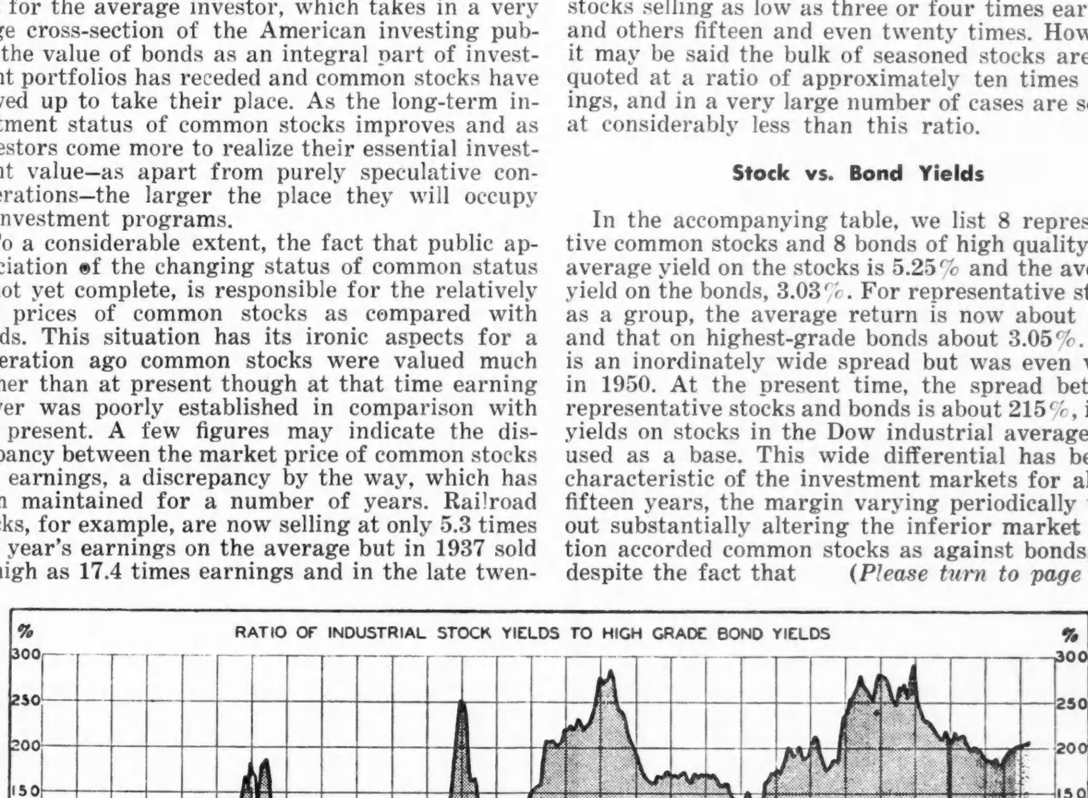
	Growth in Net Plant Values 12/31/39 (Millions)	Growth in Net Plant Values 12/31/52 (Millions)	Stocks: Recent Price	Stocks: Div. Per Share	Stocks: Div. Yield %	Bonds	Yield %
American Tel. & Tel.*	$2,859.7	$6,629.1	160 165	$ 9.00	5.6%	Amer. Tel. & Tel. Deb. 2¾/75	3.00%
Du Pont	251.6	1,077.9	108 118	4.00	3.7	Atch., Top. & S. F. Ry. Gen. 4/95	3.14
General Electric	53.7	379.1	93 110	4.00	4.3	Borden Co. Deb. 2⅞/81	2.99
General Motors	335.9	1,262.9	61 68	4.00	6.5	Consol. Edison 1st & Ref. "F" 3/81	3.11
Goodrich (B. F.)	48.0	105.3	85 90	2.75	3.2	Consumers Power 1st 2⅞/75	2.99
Standard Oil N. J.	1,096.9	2,518.6	77 89	4.50	5.8	N. Y. Telephone Ref. "D" 2¾/82	3.05
Union Carbide & Carb.	181.5	574.5	71	2.50	3.5	Pub. Serv. El. & Gas Deb. 3⅛/72	3.17
U. S. Steel	1,122.2	1,851.6	40 44	3.00	7.5	Union Pacific R.R. Deb. 2⅞/76	3.02

*—Parent company including investments.

To a considerable extent, the fact that public appreciation of the changing status of common status is not yet complete, is responsible for the relatively low prices of common stocks as compared with bonds. This situation has its ironic aspects for a generation ago common stocks were valued much higher than at present though at that time earning power was poorly established in comparison with the present. A few figures may indicate the discrepancy between the market price of common stocks and earnings, a discrepancy by the way, which has been maintained for a number of years. Railroad stocks, for example, are now selling at only 5.3 times last year's earnings on the average but in 1937 sold as high as 17.4 times earnings and in the late twenties at well over 25 times. Industrial stocks on the average are now selling at slightly over 10 times earnings but in 1937—a very erratic year in business—sold as high as 19.3 times earnings, about the same ratio as in 1929. Of course, there are many variation in the price times earnings ratio, some stocks selling as low as three or four times earnings and others fifteen and even twenty times. However, it may be said the bulk of seasoned stocks are now quoted at a ratio of approximately ten times earnings, and in a very large number of cases are selling at considerably less than this ratio.

Stock vs. Bond Yields

In the accompanying table, we list 8 representative common stocks and 8 bonds of high quality. The average yield on the stocks is 5.25% and the average yield on the bonds, 3.03%. For representative stocks, as a group, the average return is now about 5.6% and that on highest-grade bonds about 3.05%. This is an inordinately wide spread but was even wider in 1950. At the present time, the spread between representative stocks and bonds is about 215%, if the yields on stocks in the Dow industrial averages are used as a base. This wide differential has been a characteristic of the investment markets for almost fifteen years, the margin varying periodically without substantially altering the inferior market position accorded common stocks as against bonds, this despite the fact that (*Please turn to page* 703)



MORE LIGHT—LESS HEAT NEEDED

By "VERITAS"

DIFFERENCE of opinion exists in Washington as to whether carefully nurtured democratic propaganda on the current economic picture is being properly met, whether the strategy will be useful or harmful. The term "Fear Deal" carries a potent punch of condemnation to the anti-Eisenhower propagandists, but it might by the very process of repetition serve as a reminder that a dip in some lines of employment, and in some business incomes, is a very real thing; something that cannot be cured by turning the eyes in another direction. Republicans say the democrats are trying to talk the country into a depression. Scanning of recent headlines show the GOP's opposition to have anything but a monopoly on this fear talk. What we really need is a little less heat, and some more light.

OBVIOUSLY those who see gain, political or otherwise, in exposing only the seamy side will not be discouraged, derailed, by any Administration suggestion. And it would be unwise to attempt it. The assured effect would be to raise the reasonable question: "Why don't the republicans answer the points raised, not confine themselves to criticizing the act of raising them." Much of Senator McCarthy's success in obtaining receptive ears throughout the country arises from the fact that the democrats have tried to play the red issue down. This arouses curiosity on the public's part to hear the full story. Apparently it's reasoned that any public question should be freely talked out, discussion encouraged, not suppressed.

WOULDN'T it be better, many Republicans suggest, to blanket out the gloom with facts on the affirmative side? Business must be better when, unlike only a year ago, it isn't required to obtain priorities or allocations, give way to defense needs (which hits both ways—as a production problem and as a taxpayer's worry); when there isn't a nickel's worth of "made work" adding to the tax factor which must be computed in all pricing and, therefore, costs of living; no manpower limitations, no ceilings on prices or on wages; no moving of "essential workers" like chess pawns with resulting disrupting of assembly lines; no excess profits tax; lower income taxes; a trend toward a balanced budget. That's only a start on the affirmative answer.

WASHINGTON SEES

President Eisenhower has put his congressional influence to a test in the Beeson confirmation issue and the conclusion seems reasonable that his business program is on its way to enactment, that an "Ike bloc" has come into existence to challenge old party-line strength.

Whether Albert C. Beeson became a member of the board administering the labor-management act was of little consequence in a nation beset by problems, fired with ambition. But, just as Harry Truman proved he could win without the Solid South, President Eisenhower was able to show that the weight of the vote of republican-elected Senator Morse was mythical, that the White House could count on more strength from the democrats than would be lost from the republican aisle. Senators Byrd, Eastland, and Holland (who tipped the scales for Beeson) can be counted on the side of the Administration on any measure restoring to business a degree of long-deprived equality. Others will follow on easier issues: it was not politically easy to vote for Beeson in the light of Labor's buildup picturing him as an enemy of unions.

The President lost the Langer vote solely on a matter of patronage protocol: postmasters in the senator's state were picked without reference to him. That vote could almost be classed with the regular democrats anyway, just as the Byrd vote goes into the republican column on pro-business questions. Lack of a clear majority in the senate seems to have united the GOP in determined effort; each republican member now knows his personal responsibility. Add the assured democratic strays and you have an "Ike bloc."

As We Go To Press

President Eisenhower hit the nail on the head when he told his more bombastic party members that the GOP might find itself paying too high a price for the pleasure of needling democrats. The republican mouthpieces --both under control of the White House and beyond the reach of effective stop orders--had found a spot where it hurts. The democrats were wailing. But they were doing something more: they were readying a counter-offensive where it would hurt even greater, namely, in withheld votes essential to success of Ike's program.

Of course the President cannot stop the men who most offended the democrats--Governor Thomas E. Dewey, and Senator Joseph R. McCarthy. They're elected officials. It is within his orbit of influence but not his absolute authority, to tell speakers to tone down when they appear in public as official representatives of the Republican National Committee. It would be regarded a gratuitous insult to tell Assistant President Sherman Adams his speech was not in keeping with good manners. Down the line, Ike had a good "out"; he could give significance to refusal to comment--an action that could be interpreted either way, yet not take sides. He elected to face up to it.

Without going to the substance of the bitterness heaped on democrats (often without careful distinction between officials who performed the acts and the rank-and-file which simply chose that party) the President made it abundantly clear that he regarded some of the comments made on public platforms to be in bad taste, beyond the necessities of two-party campaigning, and, very likely, damaging to the cause of republicanism. He preached what he already had practiced in his Presidential campaign: fight issues but not personalities. It was an example of political naivete to suggest that his program will be accepted by all as a plan to be voted up or down on its merits--all the while with democrats under fire for everything up to, and including, the capital offense of treason.

Some republican speakers already have rejected their President's admonition. Democrats say this is an engraved invitation to forget about bipartisan effort toward a better government. The price that will be paid inevitably will be written in defeated bills on Capitol Hill. All this, although the President's reaction to alley-brawl tactics is well known. One of the best newspictures of Ike is the one showing a pained wince at the news that President Truman had fired General MacArthur from his Pacific Command. He can accept warfare, but not personality assaults. His reaction was much the same during the Harry Dexter White blowoff. There again he remained aloof from the battle-pit but couldn't stand mute when the patriotism of Harry S. Truman seemed impugned. He publicly expressed his contrary conviction.

Democrats are not ready for the breakaway just yet. The amount of business cleared by the current session has been almost nil although some important matters have moved along in committee. No political capital would be gained by registering protest, through votes, in any situation where the White House already has a safe majority. But eventually there will come programs on which there is almost even party division if politics be forgotten. And, then, politics will not be forgotten! Of course there will be a third, and final act, in this drama which begins with the principle of attack, and is followed up by the strategem of retaliation: the November election at which the independent voters--who control elections, for the most part, and don't care especially which party brings on prosperity--will assess blame and act accordingly.

Demand for reduction of excise taxes is getting out of hand. Present indication is that Ike's friends at the opposite end of Pennsylvania Avenue will not be able to sustain to the letter, the President's recommendations on this point. The Martin Plan, cut to 10 per cent across-the-board, in excises, is gaining support. The Speaker of the

House doesn't accept the Treasury estimate that this would cut revenue $942 millions. He points out this figure does not evaluate the incomes that would result from encouraged heavier sales of lower-taxed "luxury" items. Behind the scenes maneuvering seeks to add clothing and home furniture to the list of taxed items.

Insistence on the part of business that the Treasury tax and general fiscal program be eased wherever it happens to pinch is causing leaders who want to hold the line for Ike to wring their hands. The budgets and accompanying messages plus legislative and administrative improvements of the past year are geared to an economy built on private enterprise. It asks that some of the comforts of business be temporarily given up--getting along with less of the things we don't need anyway; and it purposes saying this is the day of reckoning--not parrotting "there'll be a day of reckoning." A fiscal miracle would be required to render a true balance of the budget and to prevent the national debt authorization to increase. There are no-miracle workers on the grounds. What the President's supporters are asking, in effect, is only this: Assuming we cannot accomplish all in one sweep, why not build earnestly toward the goals?

Having caught Washington completely by surprise in his failure to propose an an increase in the minimum wage provisions of the wage-hour-act, the President now is leaving management and labor to their own speculations. The Eisenhower message batted down Labor Secretary Mitchell's promise to both major unions; he'd said the new level would be either $1 or $1.25 an hour. The President hasn't closed the door. Studies are continuing. Neither employers nor employees are likely to make much fight for revision of the wage-hour statutes: with the wage boost which unions would like, and management would receive with something less than enthusiasm, would be linked a re-examination of covered lines of work, with many groups eventually placed in the exempt classes. There the unions would lose, management gain. Since it isn't possible to appraise benefits against losses, the status quo is safest.

Revised statistics show federal payrolls dropped 112,346 names in the first half of the 1953 fiscal year (June-Dec.) Seldom taken into consideration in pressures for cutting payrolls, is the fact that almost 1 out of each 5 federal employees is a non-citizen of the United States, doesn't even live or work in this country. They are "untouchables" in the sense that the concentration on reduced Washington employment doesn't affect them. This country has 417,568 foreign nationals drawing Treasury checks: 117,137 in Germany; 178,526 in Japan; 106,431 in Korea; smaller civilian garrisons in England, Austria, France, Lybia and Ryukus. The number is swelled at each post by Americans, civilian and military.

Little is heard of the House committee on Government Operations and the reason is reported to be found in the fact that its personnel brings together the "toughest" groups that could be assembled among the representatives and if it's at all possible to switch jurisdiction to some other committee, sponsors will do so. All the members serve on other committees also; but not on the same ones. Point of this is that the hardy group is about to launch a no-holds-barred probe of racketeering in labor unions. Complaints against excesses in organized labor's practices usually wind up there. Usually nothing is done about them.

Rep. George Bender of Ohio, a Taft republican who will try for his political idol's senate seat in the November election, is chairman of the subcommittee to investigate. Rep. Clare E. Hoffman of Michigan, is chairman of the general committee. He'll sit in on meetings because he has his own files bulging with data for exploration with witnesses under oath, at meetings in all parts of the country. The committee report and recommended legislation is not likely to be written in the current session; therefore it will not be toned down on the annoyingly repetitious stop-all "this is an election year."

Small business groups are getting ready to fight a "sleeper" which is on the senate calendar and could be called up, and passed, with little notice taken of it. It is the bill by Senator Bricker of Ohio (S 1461) which would permit the automatic effectiveness of increased freight rates if the ICC fails to act within 60 days.

JAPAN

—Our Bastion In the Pacific

By V. L. HOROTH

When on his Asian tour last fall, Vice President Richard M. Nixon admitted in Tokyo that the Truman Administration had made a mistake in forcing disarmament on Japan because "we misjudged the intentions of the Soviet leaders", he expressed a general sentiment now prevailing in the United States. With the Korean situation still far from solved and fighting in Malaya and Indo-China continuing unabated, the American public has come to regard Japan as the stabilizing force in the Far East and as "a bastion" of the free world. More than that, however. In view of our defense commitments along the extensive periphery of the communist-controlled world, the United States would like to see Japan take over the task of defending herself. As Vice President Nixon expressed it in his speech before the America-Japan Society, "If Japan desires to be free . . . it is essential that she work with the free nations in maintaining adequate defenses and adequate strength – strength that will insure that the Communist aggression goes no further than it has already gone in this section of the world."

Last fall Tokyo and Washington reached a rather vaguely worded agreement calling for a gradual increase in the Japanese armed forces, which at present consist of several thousands of policing troops, the National Safety Force. Washington at that time was thinking in terms of a force of some 250,000 men which, if needed, could be sent to the Asiatic mainland. Not so Tokyo, however, which at best expects to increase its forces by 100,000 men over the next five year period and to use them only for the defense of the Islands.

All this boils down to the fact that the popular axiom that "Japan is our bastion in the Pacific" will very likely remain merely a cliche for the next few years, much as the European Army has. We have the promise of Premier Yoshida, who is a sincere protagonist of the free world, to push the matter. But the reality may be quite different. According to a recent issue of the "Oriental Economist", there are "constitutional, economic, budgetary, and other limitations which will not allow the immediate building of Japan's self-defense forces to a point sufficient for Japan's defense."

To put it bluntly, the situation is this: Japan is facing an economic crisis, and the problem of feeding her vast population—increasing at the rate of about $1\frac{1}{4}$ million a year—and providing employment for her still unemployed labor force; is at present much more important to her than rearmament. Moreover, for a country that, like Japan, is dependent on the imports of practically all major raw materials (see table), rearmament means expanded exports. Just now exports are contracting, because Japanese products are over-priced and hence difficult to sell.

The simple fact is that if we want to see Japan "become a bastion in the Pacific" we will have to help her finance her rearmament. That this will cost us plenty of money – even if Japan cooperates – should be self-evident.

Evaluation of the New and Old

The rearmament issue and the oncoming economic crisis find Japan in a strange mood. The country is going through a nationalist revival and through a process of deciding how much of the "new"—introduced by the occupation forces—may usefully and properly be retained and how much should be replaced by earlier and traditional Japanese institutions and habits.

While it is too early to say what the outcome will be, some of old Japan is creeping back. For example, the huge business combinations, the Zaibatsu concerns, which our occupation forces spent so much

Japan: Dependence on Imports
(Percentage)

	1934-36	1952	Japan's Output as % of U.S. Output
Coal	11	7	8
Coking Coal	......	30	....
Iron ore	93	83	1
Tin ore	87	73	....
Bauxite	......	100	....
Salt	65	77	3
Phosphates	100	100	....
Rubber	100	100	....
Cotton, raw	100	100	....
Wool, raw	100	100	....
Rayon pulp	81	21	....
Petroleum	94	98	0.1
Rice	18	7	....
Wheat	7	44	....
Barley	7	29	....
Nickel	100	100	....
Copper	......	93	6
Zinc	......	90	14
Lead	......	80	4
Manganese ore	......	50	15

Source: Oriental Economist and others.

time in breaking up, are back in business, and under their old names too. The anti-monopoly law is being drastically revised. The catchword of the day is "correction of occupation mistakes". The old centralism is returning, and local police forces are again being appointed by a newly-created sub-ministry in Tokyo. In some industries, the revival of paternalism in the relations between the employer and the employee is reported.

Yet a great deal of the "new" is bound to remain. For example, the thought police and the spy system and other paraphenalia of a totalitarian regime are apparently gone for good. The privileged position of the military cast is unlikely to be revived. The younger generation has developed a healthy criticism of its elders. The standard of living of the lower classes, the factory workers and peasants, is relatively higher than before the war, and, along with that, these classes have become politically more conscious, though not always in a direction that would serve the interests of the United States. During the last few years a neutralist movement which dubbed itself a "peace" movement, has gained among these classes. Officially led by socialists, the movement has been infiltrated by communists, and consequently is anti-American.

The leftists propose to cope with the oncoming economic crisis by state controls and planning, and through increased trade with the communist-controlled mainland of Asia. This, strangely enough, is also the solution proposed by the extreme Right, which coounts among its supporters the old military clique and some of the big business leaders.

Comparison of Japanese and World Prices, as of Nov. 30, 1953

	Japan	United States	Others	
Pig iron ($ per ton)	70.8	56.5	40.1	U.K.
Steel, bar ($ per ton)	111.1	91.4	81.4	U.K.
Steel, plate ($ per ton)	123.6	90.4	84.9	U.K.
Steel, sheet ($ per ton)	166.6	86.5	115.6	U.K.
Copper, elect. (¢ per lb.)	41.6	29.5	29.1	U.K.
Aluminum (¢ per lb.)	29.0	21.5	18.8	U.K.
Cement ($ per ton)	24.5	22.5	15.6	U.K.
Am. Sulphate ($ per ton)	64.5	56.5	45.0	U.K.
Coking coal ($ per ton)	21.4	9.5	6.6	India
Cotton yarn (¢ per lb.)	66.0	62.5	58.1	Italy
Cotton fabric (¢ per yard)	17.7	17.8	16.6	Hongkong
Rayon yarn (¢ per lb.)	73.1	78.0	62.9	U.K.
Spun rayon yarn (¢ per lb.)	47.8	77.5	62.8	U.K.

Source: Oriental Economist, Feb. 1954.

Japan's Unhealthy Economy

Japan is described as "living beyond her means", as a country that "is bankrupt but has not yet discovered it." On the surface, the country's business gives the appearance of a boom. As the Tokyo correspondent of the Manchester Guardian described it recently,

> *"the nation . . . continues to live like a drunken sailor, with a Budget that this year for the first time exceeds one trillion yen: city streets* [are] *crowded with imported limousines; golf courses are played to capacity seven days a week and more being built; an entertainment industry, from geisha shows to movies, is doing a boom business, and the cost of living is so high that recently two aged Japanese who came to Japan to retire after 53 years in the United States found Tokyo so expensive that they sailed straight back to "cheap" Miami . . ."*

Industrial production reached an all-time high during the last quarter of 1953. Consumer demand is showing no signs of abati and department stores sales are about 30 per cent higher than a year ago. Prices are still rising, and at the present time are 60 per cent above the pre-Korean level. The national income, expressed in paper yen, is approaching the 6 trillion yen level, which is roughly 4000 times that of the prewar 1934-36 level.

That is one side of the picture. The other side is that Japan is running out of resources with which to finance "the fool's paradise" in which she has been living. In 1953, when her imports rose to $2,410 million, her merchandise exports ($1,274 million) financed barely 50 per cent of the imports. Ordinarily Japan's "invisible" exports financed the rest and left a small amount over to be put aside as a foreign exchange reserve. Not so in 1953; in that year Japan had to dip for the first time since 1948 into her accumulated reserves, to the extent of about $200 million, which as a result shrank to less than one billion dollars by the end of 1953.

During the first two months of 1954, the situation has become even more serious. The importers, anticipating severe cuts in luxury imports, have been hastily buying all kinds of goods. The gap in the merchandise trade has widened, and it is reported that by the end of February 1954 the country's foreign exchange reserves may have been drawn down to about $600 million.

While the merchandise imports are soaring, the prospect is for invisible earnings—which have kept the Japanese economy from going through the wringer—to be lower. These invisible earnings have consisted largely of purchases of food, equipment,

and services for our armed forces in both Japan and Korea. In 1952 and 1953, these "procurements" averaged about $800 million; in 1954 there will probably be only a small drop in these purchases but, more important, the type of the procurement is likely to change. Instead of food and services, Japan will probably be asked to provide capital goods for Korea, and there might be difficulties in providing this type of goods.

Japan's Foreign Trade

Year	Population (Million)	Value of Trade — Exports	Imports (Millions of Dollars)	Balance	Procurements By U.S. Forces (Mill. $)	Value of Trade (1937 = 100) Exp.	Imp.
1937	70.4	$ 914	$1,090	—$ 176	....	100	100
1948	79.5	258	684	— 426	....	7	16
1949	81.3	510	905	— 395	....	14	25
1950	82.9	820	974	— 154	....	26	29
1951	84.3	1,354	1,995	— 641	$580	26	41
1952	85.5	1,273	2,028	— 755	805	27	47
1953	86.7	1,274	2,410	— 1,136	750e	30e	62e

e—Estimate.

How important these "special procurements" have been for Japan can be realized from the fact that without them Japan's foreign exchange reserves would be wiped out within 15 months time. Or to put it another way, to make up for this "invisible" spending on the part of U.S. armed forces, Japan would have to increase her exports by at least 60 per cent in order to finance the current rate of imports. Yet judged by the pre-war standards, the imports are none too high (about $10 per capita compared with $16 in 1937).

To increase her exports by 60 per cent is an impossible feat for Japan at present. First, the export capacity is not available. Second, to increase exports by 60 per cent, Japan would have to expand her capital goods exports. Her plants making capital goods and metal manufactures in general are among those least able to compete in world markets. Equipment is old and processes antiquated. Huge investment of foreign and domestic capital would be necessary to modernize them.

As it is, Japan is barely maintaining her current export rate at $1¼ billion a year (the U.S. exports that much in one month). On the volume basis, this represent about 30 per cent of pre-war, and, compared with British and German export volume, shows clearly that, despite a comeback, Japanese exporters have a lot to accomplish. The stagnation in Japanese exports in 1952 and 1953 may be partly explained by the fact that with the decline of commodity prices, purchasing power has fallen in some of Japan's best markets, notably in Southeast Asia. Moreover, in contrast with the Germans, the Japanese exporters have not had the right kind of goods to sell—capital goods, pharmaceuticals, and advanced chemicals. Furthermore, there has been a tendency on the part of Japanese producers, much as in Great Britain, to take the path of least resistance and to sell in the expanding domestic market rather than to strain for exports.

The unhealthy state of the Japanese economy has been reflected among other things in the free market quotation of the yen, which is overvalued. Officially quoted at 360 yen to the dollar, unofficially the yen is reported quoted at 450 and even more to the dollar.

Yoshida's Austerity Measures

Alarmed by the inability of Japanese exporters to push their goods in world markets and by the prospects of reduced spending in Japan by U.S. armed forces, Premier Shigeru Yoshida appealed to the nation last month to undergo "temporary austerity" to make the country self-sustaining.

Yoshida's program now before the Japanese Diet proposes to do three things to halt the inflationary spiral:

(one) to cut down government expenditure during the next fiscal year, 1954-55, to less than one trillion yen and at the same time to raise certain taxes in order to show a budget surplus.

(two) to tighten the money policy and to induce banks to cut credit to establishments that cater exclusively to the domestic market. Money is already high in Japan—the effective rate being 8 to 11 per cent.

(three) to cut drastically imports of non-essentials and of such luxuries as motor cars. By cutting imports and through encouraging exports—by taxing away the purchasing power at home—Mr. Yoshida hopes to reduce the trade import balance by about $250 million. If these measures do not help, the devaluation of the yen may be tried. It is said that Japan must bring her prices down 15 to 20 per cent if she is to compete successfully in world markets.

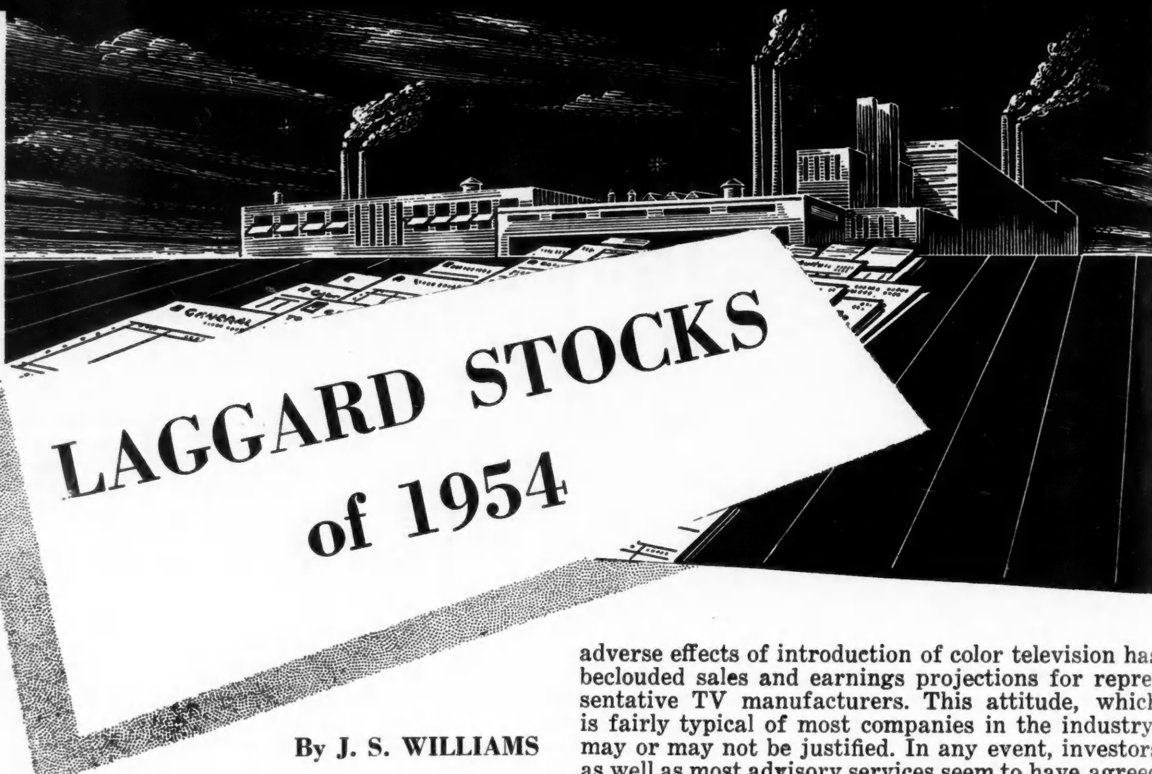
All these are, of course, plans. It remains to be seen how much of the Yoshida program will be adopted by the Diet. Opposition, especially on the Left, will be powerful, and it is quite possible that the country's rearmament plan will have to be shelved —unless Premier Yoshida is able to persuade the workers that rearmament will create jobs.

What Can the U.S. Do Besides Pay

Even if Japan decides to recreate her army with our financial help, "the bastion of the free world in the Pacific" will be but a hollow phrase if her economy remains precariously balanced, i.e. if the problem of feeding her population of 87 million remains unsolved and if unemployment continues. Japan, of course, must help herself, but we on this side of the Pacific must appreciate the task that has to be done.

Japan simply does not have capacity within her boundaries to produce enough food, clothing, and shelter for her population at the present standard of living. A square of her arable land—none too fertile to be sure—must support some 3600 persons, compared to 85 for the United States. Her productive capacity is declining. She must import one-fifth of her food and virtually all her cotton, wool, rubber, phosphates for fertilizers, and petroleum. Her forests cannot meet normal demands for construction, fuel, and the manufacture of paper and artificial fiber. She is deficient in iron, coking coal, and all the non-ferous metals.

The only resources that are available are sea water, which provides some of the chemicals, hydroelectric power, and her population, which is the principal reservoir of (*Please turn to page* 698)



LAGGARD STOCKS of 1954

By J. S. WILLIAMS

Action of individual stocks is always an important clue to their future behavior especially in broad general markets with decisive trends, either up or down. When this type of action conforms to the general market pattern no special significance need be attached to individual performance. On the other hand, when such performance runs counter to the general trend, the action may be considered particularly significant. For example, when in a strong market individual stocks advance relatively faster than other advancing issues, the record shows that their advance is likely to be wider and more sustained. Also, when individual stocks decline faster than other declining issues in a weak market, the implications are that trouble is ahead for these issues. By the same token, the tendency of individual stocks to decline or drag in strong markets may also be considered a barometer of unattractive market action to come.

Against a background of considerable general market strength since last September, though recently at a much more subdued pace, many stocks have not responded and some have actually declined. This is in line with the selective character of the market over the past few years.

The action of these stocks is worth studying as possibly casting some light on the future outlook for their companies. Accordingly, we have selected 20 such issues, rating them according to their prospects, with particular attention to the individual circumstances under which these companies are operating. Each company is separately discussed in the following text. We also supply relevant data on each stock and desire especially to call attention to that portion of the accompanying table which gives the market record of these issues.

ADMIRAL CORP.—Uncertainty over the possible adverse effects of introduction of color television has beclouded sales and earnings projections for representative TV manufacturers. This attitude, which is fairly typical of most companies in the industry, may or may not be justified. In any event, investors as well as most advisory services seem to have agreed that a wait-and-see viewpoint should be applied to stocks in the group. In the case of Admiral, the comparatively modest dividend income also is a factor mitigating against price improvement. Although a recovery in consumer demand for ranges and refrigerators would be regarded as helpful if sales of TV sets should remain restricted, chances of a higher dividend are regarded as slim.

AMERICAN LOCOMOTIVE CO.—Investor skepticism exhibited toward this old established locomotive manufacturer may be traced largely to a conviction that war work is neither profitable nor dependable. Hence, even though the company has booked large orders and has maintained shipments at a comparatively satisfactory level in spite of recurrent labor disputes, nevertheless, the public has refused to place a high regard on the shares. Not even the liberal dividend distributions in recent years have served to counteract prejudices against armament manufacturers. The company's experience in the locomotive field, in which Diesels have virtually displaced steam locomotives on the nation's railroads, has been deemed none too reassuring.

AMERICAN SHIP BUILDING CO.—Rightly or wrongly, the public consistently associates shipbuilding with wars and similar national emergencies. Of course, many companies in this industry fare well at other times, for repair and maintenance projects contribute substantial volume. Nevertheless, the feast-or-famine characteristics attributed by investors to the industry usually exert a depressing influence on shares of companies in the business. In the case of American Ship, the feeling that industrial activity may slacken with a decline in steel production probably is a factor. The company is a leading factor in Great Lakes shipbuilding. Movement of ore from the Duluth area to points on Lake Erie is a significant factor governing shipping activity.

BRUNSWICK-BALKE-COLLENDER CO. – Unsatisfactory earnings results and apparently unpromising growth potentialities seem to account for poor market action of this leading manufacturer of bowling alleys. An extensive program of construction and modernization of old alleys immediately after the war contributed to a spurt in sales and record earnings. The contraction in the last three years was made difficult by rising costs at a time when volume was falling and competition was increasing. Management's decision to diversify by turning to production of school equipment intensified production problems. It was not surprising that earnings suffered and it became necessary to trim dividends. The unpromising environment found reflection in a decline in the shares.

CERRO DE PASCO CORP. – Waning of the Korean boom left its mark on this company's shares. Prospect of reduced demand for essential non-ferrous metals set the decline in motion early in 1952 when it became evident that hostilities in the Far East would probably simmer down. The company is a leading South American producer of zinc-lead and copper. Investors merely were anticipating the slump in earnings which materialized in 1952 and 1953 following establishment of a peak in 1951 of $15.87 a share before depletion allowances. Accumulation of large supplies of copper and lead points to further possible curtailment in production. Stocks of copper on hand at the end of January stood at the highest level in five years.

ELECTRIC AUTO-LITE–Pessimism over sales prospects for motor cars in the Chrysler group appears to have accounted primarily for an unsatisfactory showing by this company's stock. Financial results in 1953 seem to have been reasonably satisfactory conidering rising costs and keener competition. Recent cutback in Chrysler manufacturing schedules, however, has raised doubts over the outlook this year, since Auto-Lite's major customers are the several Chrysler divisions, Ford and independents. It seems likely that virtually all independent makers are destined to meet keen competition. Hence, investors are contemplating a decline in sales and earnings in 1954 for Electric Auto-Lite.

ELECTRIC STORAGE BATTERY CO.–Apprehension over the long established dividend record goes far toward explaining persistent weakness in shares of this one-time blue chip representative of the battery industry. Unsatisfactory results incident to a sharp decline in inventory values of lead accounted for much of the handicap on 1952 and 1953 results, but reduced volume contributed to higher unit costs and narrower margins. Concern over potential competition from cadmium-nickel batteries, offering economies in longer life, may have had adverse effects on popularity of the shares among portfolio managers. With inventory adjustments behind and raw material costs down, more favorable margins may be anticipated. The stock should do better if the dividend can be assured.

EMERSON RADIO & PHONOGRAPH CORP.– A growing feeling that boom conditions in television had passed their peak and that imminence of color TV presented problems could be cited as fundamental reasons for a more realistic appraisal of this company's shares. Aside from industrial conditions, the pronounced lack of public interest in shares of smaller companies undoubtedly accounted in some measure for reduced volume of transactions in the stock. A recent acquisition of a controlling interest in a manufacturer of air conditioners and oil burners, suggesting a need for retention of earnings to enlarge working capital, probably was another factor working against an uptrend. More attractive yields are available elsewhere.

Market Record 20 Lagging Stocks

	Price Range 1950 1953	Low Price Sept. 1953	Closing Price 12/31/53	Recent Price	1952 Net Per Share	1952 Div. Per Share	1953 Est. Net Per Share	1953 Div. Per Share	Div. Yield*	Rating
Admiral Corp.	39¼-17¼	23⅞	18⅝	20	$ 3.69	$ 1.00	$ 4.40	$ 1.00[1]	5.0%	A
American Locomotive	24¼-12½	12¾	12½	13½	2.84	1.40	3.45	1.40	10.3	B
American Shipbuilding	65½-39⅛	47½	43½	45	9.74	4.00	6.41[2]	3.00	6.6	B
Brunswick-Balke-Collender	25¾-13¼	15¼	13⅝	14	1.32	1.00	.30	.87½	6.2	B
Cerro de Pasco	58¾-17⅝	20	19⅞	21	8.79	2.00[1]	2.50	1.25[1]	5.9	B
Electric Auto-Lite	57 -38½	39½	40⅛	41	6.55	3.00	6.80	3.00[1]	7.3	A
Electric Storage Battery	46½-23¼	25½	24⅜	26	2.48	2.00	1.75	2.00	7.6	A
Emerson Radio & Phonograph	20¼-9¾	10¾	10	10½	1.17	.70	1.54[3]	.50	4.7	B
Fajardo Sugar	26⅛-16½	19	17¼	17	2.89	2.50	.61[6]	2.00†	11.7	A
Hershey Chocolate	48 -34	37¾	41	39	3.81	2.00[1]	3.90	2.50	6.4	A
Holland Furnace	31 -10⅝	12¼	10⅝	12	1.45	2.00[4]	1.00	1.00	8.3	B
Island Creek Coal	39¾-15⅛	16½	15¼	17½	2.90	2.50	1.08[6]	1.75	10.0	B
Lees (James) & Sons	29⅜-19¼	24	22¼	23½	4.55	2.00	3.75	2.00	8.5	B
Maytag Co.	21 -11⅝	16	17¼	17½	3.66	1.85	3.40	2.00	11.4	A
Midland Steel Products	54¾-28¼	31¼	31	30	7.19	4.00	4.60	3.00	10.0	B
Motor Products	39¼-21	23¼	21½	17½	6.11	2.00	6.62[2]	2.00†	11.4	B
Pacific Mills	49¼-22⅜	23½	23	25	2.11	1.50	2.54[6]	1.40	5.6	A
Studebaker	43½-20	21⅝	20½	20	6.06	3.00	2.25	3.00†	15.0	A
Underwood Corp.	58 -26	34½	27⅛	28	5.00	4.00	1.50	2.25†	8.0	B
West Indies Sugar	41⅜-17⅜	18⅛	17⅞	18	5.44	3.00	1.24[5]	1.00	5.5	B

Rating: A—hold; B—retention not advised.

***—Based on 1953 dividends.**

1—Plus stock.

2—Year ended June 30, 1953.

3—Year ended Oct. 31, 1953.

4—Year ended July 31, 1953.

5—Year ended Sept. 30, 1953.

6—Actual.

NOTE: Where marked (†) dividends have been reduced in 1954. As the rate for the year is not established, a yield estimate is not possible.

FAJARDO SUGAR CO.—Behavior of this company's shares was scarcely any more unsatisfactory than that of representatives of the sugar industry in general. The company is a leading grinder of raw sugar in Puerto Rico. Limitations on shipments to the United States and comparatively low prices for refined sugar in the world market combined to exert a depressing effect on operations. Adverse weather conditions restricting output also afforded a serious handicap. The downtrend in prices could be ascribed to anticipation of a lower dividend which eventually materialized a short time ago. Some relief is anticipated in adjustment of the severe withholding tax on dividends paid to non-residents of Puerto Rico.

HERSHEY CHOCOLATE CORP.—Nothing more serious than public apathy toward shares of confectionary companies can be found to account for a lackluster market performance. Despite a moderate shrinkage in sales attributable to unfavorable weather conditions last summer, earnings stood up well in 1953 and directors ordered an extra dividend of 50 cents a share, the first in several years. The return on the shares around the lows of last year of more than 6 per cent may have attracted investment funds, but some investors interested in growth and long term capital gains apparently felt prospects seemed more promising in other industries.

HOLLAND FURNACE CO. – The pronounced trend to oil burners has imposed a serious handicap on this manufacturer of warm-air heating equipment. The company once dominated its field and depended to a large extent on revenues from maintenance and repairs of coal furnaces. Although it has turned to manufacture of oil burners, it has encountered difficulty in penetrating the market for heating equipment in low-cost housing developments. Its policy of selling direct to consumers rather than through distributors may have imposed a burden on distribution costs. The downtrend in dividends, reflecting lower earnings, helps explain the unimpressive market behavior.

ISLAND CREEK COAL CO.—Inability to reduce costs in line with the shrinkage in sales, resulting in sharply lower earnings, accounted for pressure on shares of this company in 1953. Reduced exports and more abundant supplies of soft coal contributed to price weakness and to unsatisfactory marketing conditions. Despite progress in mechanization of mining and handling facilities, costs continued to mount. Progress is anticipated in correcting unfavorable trends, but the outlook for better demand is not too encouraging. Weakness in the stock reflects doubt over maintenance of dividends at the 1953 rate.

LEES (JAMES) & SONS CO.—Concern over the threat of competition from other floor coverings that may affect the market for carpetings probably accounts as much as anything for a skeptical attitude toward shares of the Lees company, one of the major factors in the industry. Trade surveys indicating a trend toward construction of lower cost homes suggests that the market for quality products may be diminishing. Moreover, a downtrend in employment and in consumer incomes would be deemed unfavorable for carpet makers, since most home owners feel they can postpone purchases of new carpets in times of poor business conditions. Meantime, it is difficult to expect improved operating economies.

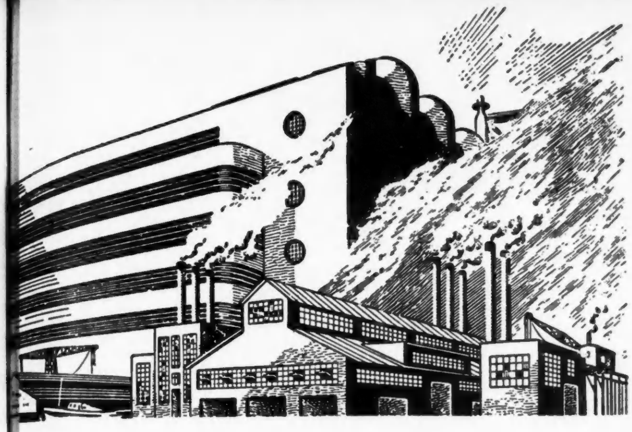
MAYTAG CO.—Although fluctuations of this company's shares were generally toward lower levels in 1953, the decline was scarcely more pronounced than that of the average for its industry. A general feeling that competition would become keener for manufacturers of washing machines and other household appliances probably explained the public's apathy toward stocks in this group. Rising costs imposed hardships last year, but more abundant raw materials may permit favorable adjustments this year. The washing machine has come to be a necessity instead of a luxury, with the result that the outlook may not be so unpromising as last year's downtrend in sales might suggest.

MIDLAND STEEL PRODUCTS CO. – Industry forecasts pointing to a drop of 15 to 20 per cent in production of new passenger cars this year suggest what may be expected in sales of this company. Moreover, substantial dependence on Chrysler for business suggests that demand for frames may be less active for this company than for some of its competitors. Proximity to the Detroit area is a favorable factor and development of new products may counteract a decrease in sales of frames. Nevertheless, there must be some apprehension over the $3 regular dividend rate, and this uncertainty is likely to be reflected in the stock—as was the case in 1953, when a customary year-end extra was omitted.

MOTOR PRODUCTS CORP.—Expectation of unfavorable results accruing from keen competition in refrigerators and air conditioning accounted for the growing skepticism toward shares of this automotive parts maker. Later indications of reduced manufacturing volume in Chrysler plants had a depressing effect, since Chrysler divisions are major customers for ventilator, hardware trim, instrument panels, etc., made for motor car companies. Original equipment parts comprise a bulk of the company's normal volume. Unsatisfactory results in venturing into air conditioning units also served to raise doubts over the regular $2 annual dividend. The recent reduction to a quarterly rate of 25 cents confirmed investors' doubts. The outlook remains uncertain.

PACIFIC MILLS—Manufacturers of textiles have been paying for the profitable boom experienced in 1950 and 1951 incident to the Korean buying spree. The public accumulated extensive inventories of household goods and other fabrics in anticipation of a shortage. Subnormal demand has prevailed now for more than two years and companies such as Pacific Mills have suffered from reduced volume and narrow profit margins. Lower earnings reflected in dividend reductions have created an unfavorable market atmosphere. There are some indications that a more satisfactory condition may develop before too long.

STUDEBAKER CORP.—Although this leading automotive independent usually manages to get its share of the passenger car business not preempted by the three majors, the company experienced a disappointing year in 1953—getting off to a slow start. The unimpressive market trend reflected increasing doubt over ability to continue the dividend rate of $3 annually paid in 1951, 1952 and 1953. In view of the prospect of increasingly keen competition and narrowing margins, doubts probably exist over stability of the rate (*Please turn to page* 698)



5 Attractive Stocks with Wide Dividend Coverage

By OUR STAFF

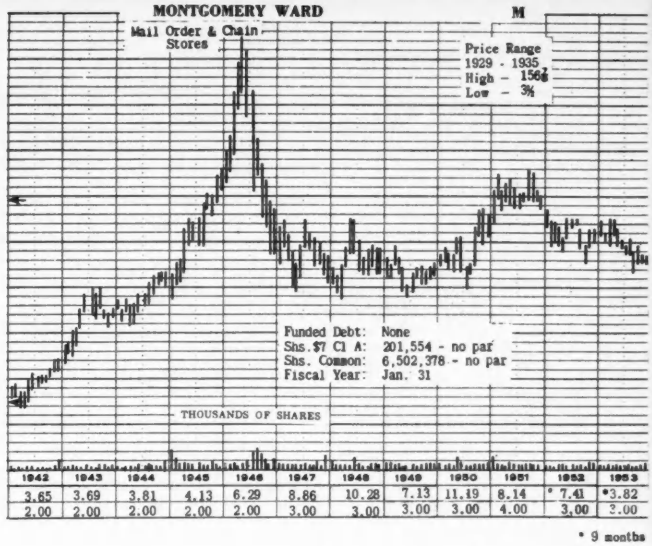
The possibility of enacting legislation to liberalize income taxes on dividends has drawn the attention of investors to sound dividend-paying issues. If pending bills are passed by Congress, the net return on stock investments would be increased in proportion to the income tax bracket of individuals. This could be a very substantial tax savings, a prospect which, obviously, would make dividends more valuable than they have been.

However, owing to the present business adjustment, care must be taken, regardless of the tax angle, to select stocks with ample dividend coverage on the premise that the margin between earnings and dividends in such cases would be sufficient to maintain dividend payments even if earnings should contract moderately. On the other hand, companies with an already slim margin of dividend safety are not in such a favorable position as even a moderate decline in profits could imperil existing dividend rates.

In this series of "thumb-nail" sketches, we have selected five stocks with exceptionally wide dividend coverage. These companies are so firmly entrenched that it is not likely that present margins of earnings over dividends could be impaired to any material extent, even in the event current business contraction continued for a few months longer. The reason for this is that each company is exceptionally well placed to secure its share of available business.

The average yield on the five stocks is slightly over 5%. While this return is about average for this class of stock, attraction also consists of the marked long-term prospects for capital appreciation, though the investor must be prepared for intermediate reactions after the long market advance since September.

Essential data on each stock is presented together with a concise analysis of their position and prospects.



MONTGOMERY WARD & CO.

BUSINESS: Second largest merchandiser, about 65% of sales from department stores, and balance from mail order. Reaches consumers through catalog mail order offices and through stores in rural areas, with an increasing number in growing cities of 75,000 population or more.

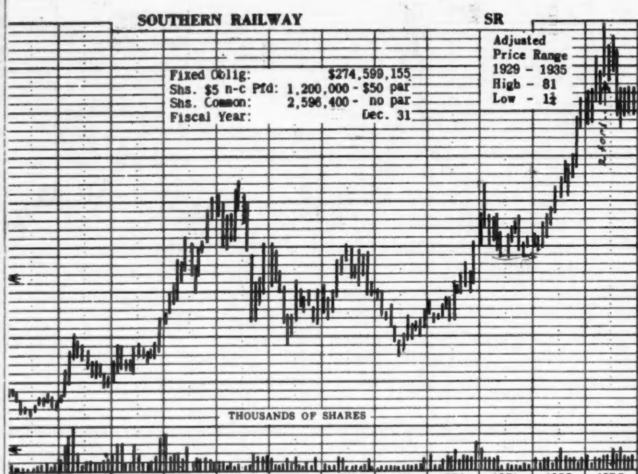
OUTLOOK: Sales for 1953 were approximately 6.8% less than the previous year, due largely to unsettlement in the farm areas. However, indications of better stability in farm purchasing power though at lower levels than a year ago indicate that business from this quarter may improve. Sales in urban areas have been less affected, except where specific localities are troubled with lower employment. Despite lower sales, company's profits for 1953 are estimated at around $6-$6.25 a share which compares not too unfavorably with $7.41 a share in the more prosperous year of 1952 but which, however, is well off from the $11.19 a share earned in 1950. The company's control of costs is excellent and there is no reason to doubt that a satisfactory earnings record will be made in the current fiscal year ending January 31, 1955 even on a lower volume of business. Confidence in the outlook by the management was illustrated recently in its declaration of an extra dividend of $1 a share. Working capital is characteristically high. On the last reported ba'ance sheet, July 31, 1953, working capital was $577 million and operating funds 7.1 times obligations, against a ratio of 6 to 1 the year previous. Contributing to the steady increase in working capital is the continuation of the post-war policy of ho'ding down capital expenditures to a minimum. While this policy has not been an asset in the rost-war boom it will probably stand the company in good stead during the current unsettlement in business conditions.

DIVIDENDS: Payments have been continued since 1936 without interruption. Current rate is $3 annually, supplemented by a $1 extra this year.

MARKET ACTION: Recent price of 61 compares with a 1953-54 price range of High—65½, Low—53⅝. Including the $1 extra, the indicated yield is 6.5%.

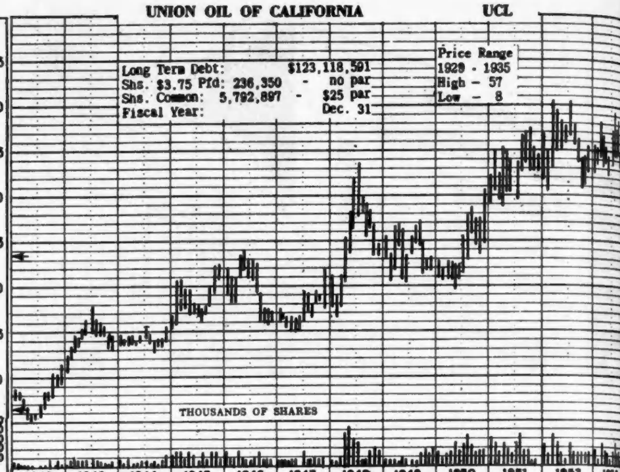
COMPARATIVE BALANCE SHEET ITEMS

	Jan. 31 1944	July 31 1953	Change
	(000 omitted)		
ASSETS			
Cash	$ 16,795	$ 19,604	+$ 2,809
Marketable Securities	60,409	194,741	+ 134,332
Receivables, Net	42,054	167,594	+ 125,540
Inventories	124,578	272,832	+ 148,254
TOTAL CURRENT ASSETS	243,836	654,771	+ 410,935
Net Property	44,278	34,375	— 9,903
Other Assets	11,474	17,626	+ 6,152
TOTAL ASSETS	$299,588	$706,772	+$407,184
LIABILITIES			
Accounts Payable	$ 14,007	$ 44,967	+$ 30,960
Due Customers	8,801	7,635	— 1,166
Accruals	6,423	15,121	+ 8,698
Tax Reserve	2,547	26,787	+ 24,240
TOTAL CURRENT LIABILITIES	31,778	94,510	+ 62,732
Reserves	18,698		— 18,698
Class "A" Stock	20,155	20,155	
Common Stock	129,133	211,231	+ 82,098
Surplus	99,824	380,876	+ 281,052
TOTAL LIABILITIES	$299,588	$706,772	+$407,184
WORKING CAPITAL	$212,058	$560,261	+$348,203
CURRENT RATIO	7.6	7.0	— .6



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	11.71	7.91	7.42	5.12	2.41	3.43	6.26	3.44	7.47	6.11	9.57	*10.08
DIV.	-	1.00	1.37½	1.50	1.50	1.50	1.62½	2.50	1.50	2.00	2.00	2.50

* 11 months



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	1.19	1.56	1.91	1.89	1.90	3.85	6.51	3.69	3.09	5.01	5.07	**5.19
DIV.	1.00	1.00	1.00	1.00	1.00	1.10	1.95	2.37½	2.00	2.00	2.00	*2.00

*Plus Stk ** 9 mos.

SOUTHERN RAILWAY COMPANY

AREA SERVED: Southern rail system, comprising 7,565 miles serves, with the exception of West Virginia, the entire southeastern section of the United States. Its lines extend from New Orleans and Mobile on the Gulf, and Jacksonville on the Atlantic, westward to St. Louis and northward to Cincinnati and Washington, D. C.

OUTLOOK: Preliminary 1953 figures again show Southern Railway's operating revenue and net income to have reached new peaks. Total operating revenue of $275.2 million, up by approximately $3.6 million from the previous year, produced net income of roughly $33 million which was $5.3 million more than the $27.8 million the road reported for 1952. The 1953 showing amounts to about $11.50 a share for the common stock. This is $2 a share more than the $9.57 a share earned in the previous year and compares with 1951 and 1950 net of $6.11 and $7.47 a share respectively. The ability of Southern to carry a greater portion of operating revenue to net income reflects the benefits it is deriving from the large capital expenditures for Dieselization of the entire System and its subsidiaries, increased mechanization of roadway maintenance, and other improvements including the development of modern "push-button" classification yards, all contributing substantially to better operating results. This is clearly shown by Southern's reduction in its transportation ratio from more than 38% to around 31% in 1953. Cutting the ratio to this extent means a saving, on the basis of 1953 traffic level, of close to $20 million annually, the equivalent of $4 a share, after taxes, for the common stock. Aiding Southern's traffic volume has been the influx of manufacturing activities, many of them entirely new to the south, in the System's territory which, along with a growing population, strengthens its position as a freight carrier. Southern has a strong working capital and assuming a 10% drop in traffic volume should be able to show at least $7 a share for the common stock, or close to three times the current $2.50 annual dividend.

DIVIDENDS: First 1954 quarterly dividend of 62½ cents was accompanied by an extra of $1.00 a share. A higher regular quarterly rate is eventually possible.

MARKET ACTION: Recent price of 43¼, compares with a 1953-54 price range of High—47⅞, Low—38. At curernt price the yield is 5.7% on regular dividend.

COMPARATIVE BALANCE SHEET ITEMS

	1945	December 31 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 90,330	$ 79,621	—$ 10,709
Receivables, Net	19,409	23,060	+ 3,651
Materials & Supplies	13,689	18,762	+ 5,073
TOTAL CURRENT ASSETS	123,428	121,443	— 1,985
Road & Equipment	570,250	670,002	+ 99,752
Investments	55,983	76,584	+ 20,601
Accrued Deprec. & Amort.	(cr)90,577	(cr)103,911	+ 13,334
Capital & Other Funds	435	21,800	+ 21,365
Other Asse's	9,302	4,706	— 4,596
TOTAL ASSETS	$668,821	$790,624	+$121,803
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 74,256	$ 79,786	+$ 5,530
Other Liabilities	4,150	3,830	— 320
Unadjusted Credits	17,252	15,996	— 1,256
Long Term Debt	221,358	274,599	+ 53,241
Preferred Stock	60,000	60,000	....
Common Stock	129,820	129,820	....
Surplus	161,985	226,593	+ 64,608
TOTAL LIABILITIES	$668,821	$790,624	+$121,803
WORKING CAPITAL	$ 49,172	$ 41,657	—$ 7,515
CURRENT RATIO	1.7	1.5	— .2

UNION OIL CO. OF CALIFORNIA

BUSINESS: This is essentially a domestic producer although it has important holdings in Western Canada. Important developments in recent years have been entrance into petro-chemicals (1952), rapid expansion of activities in Williston Basin and development of natural gas holdings. Bulk of proved lands in California but owns extensive properties also in Louisiana and several Western states, including Texas. Has five large refineries and ample distributive facilities.

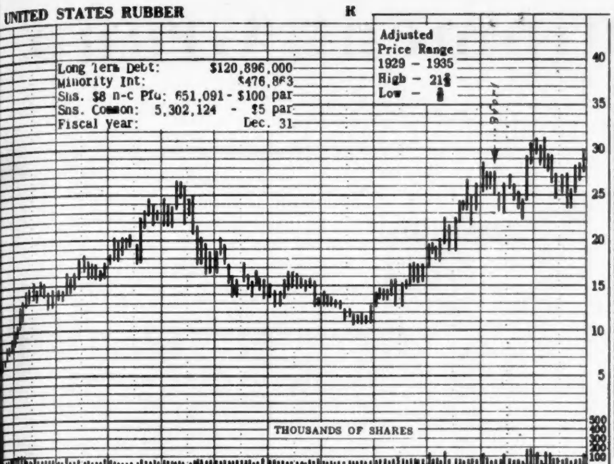
OUTLOOK: The aggressive exploration and drilling program of the company has achieved much success, offering assurance of stable operations. Earnings for 1953 estimated at about $6.25 a share (after adjusting for the 10% stock dividend last December) comparing with $5.07 a share in 1952, on the smaller capitalization then outstanding. Basic strength is due to continued progress in securing the greatest degree of integration possible. There are many facets to these developments, among the most promising of recent vintage being entrance into the petro-chemical field, and rapid progress in opening up its natural gas field in Louisiana. A notable development is the company's stress on increasing sales realization per barrel. This has been facilitated both through higher margins for crude and refined products, and through higher yields of better quality, particularly high-octane gas. A $40 million refinery program has been inaugurated to obtain better yields of gasoline and other high value products. As a result of these basic developments the company has established itse'f on a much higher earnings plateau than during or before the war. From 1946, earnings have fluctuated from $3.09 per share to as high as $6.51 a share in 1948 and $6.25 in 1953. Such a rate of high earnings was never attained previous to this period.

DIVIDENDS: Cash payments have been $2 a share since 1950 and could be liberalized.

MARKET ACTION: Recent price around 41, compared with a 1953-54 price rance of High—44⅜ and Low—37⅛. The yield is now slightly under 5%.

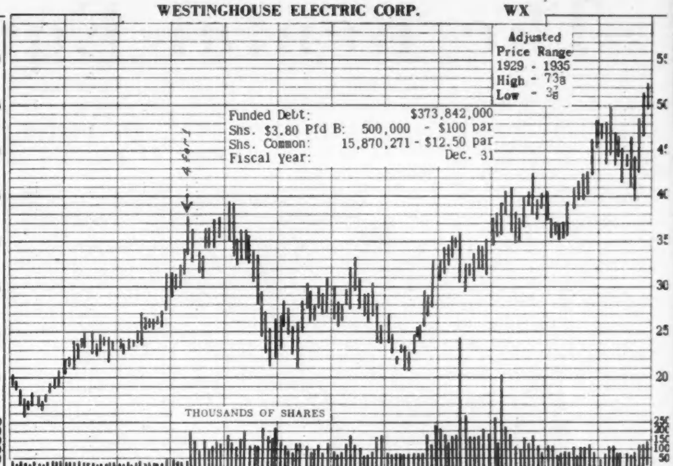
COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	Sept. 30 1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 18,285	$ 50,250	+$ 31,965
Receivables, Net	18,342	49,137	+ 30,795
Inventories	13,535	32,253	+ 18,718
Materials & Supplies	4,562	4,010	— 552
TOTAL CURRENT ASSETS	54,724	135,650	+ 80,926
Net Property	168,599	318,822	+ 150,223
Other Assets	3,142	21,134	+ 17,992
TOTAL ASSETS	$226,465	$475,606	+$249,141
LIABILITIES			
Accounts Payable	$ 10,838	$ 24,578	+$ 13,740
Accruals	2,682	10,881	+ 8,199
Tax Reserve	6,847	9,938	+ 3,091
TOTAL CURRENT LIABILITIES	20,367	45,397	+ 25,030
Other Liabilities	....	2,939	+ 2,939
Reserves	3,492	2,496	— 996
Long Term Debt	53,700	122,914	+ 69,214
Preferred Stock	....	23,570	+ 23,570
Common Stock	116,657	131,657	+ 15,000
Surplus	32,249	146,633	+ 114,384
TOTAL LIABILITIES	$226,465	$475,606	+$249,141
WORKING CAPITAL	$ 34,357	$ 90,253	+$ 55,896
CURRENT RATIO	2.7	2.9	+ .2



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	1.94	1.77	1.48	3.41	3.13	2.83	1.87	3.68	4.76	4.33	*3.32
DIV.	.33⅓	.66⅔	.66⅔	1.00	1.33⅓	1.66⅔	1.00	1.66⅔	2.00	2.00	2.00

* 9 months



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
EARN.	1.35	1.66	1.94	2.03	.65	3.58	3.88	4.95	5.36	4.03	4.23	*3.26
DIV.	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.40	2.00	2.00	2.00	2.00

* 9 months

UNITED STATES RUBBER COMPANY

BUSINESS: One of the Big Four in the rubber industry, U. S. Rubber's business is divided about evenly between manufacture of tires and tubes, and miscellanous rubber goods, including chemicals. It operates under various divisions and has separate facilities for handling its large and important foreign interests, including rubber plantations in Sumatra and Malaya.

OUTLOOK: A preliminary statement indicated that sales in 1953 were around $830 million against $850 million in the preceding year. Net earnings, however, are estimated at about $5 a share compared with $4.33 the previous year. Sales for 1954 probably will be lower than in 1953 as a result of lessened demand for original tires from auto manufacturers and to a somewhat slackened pace of defense business. This was estimated at about 16% of the total volume in 1953. Offsetting the effects of this decline, to some extent, will be alleviation from the absence of the excess profits tax so that earnings in 1954 should be fairly well maintained though not at the peak levels of the past year. The company is intensifying its promotional program as an assist to sales. This involves its textile as well as tire business. Development of plastic resins and increases in plastics and agricultural chemicals is likely to play a more important part in the current year's operations. Approaching acquisition by the private companies of synthetic rubber plants now operated by the government should tend to equalize the effect of price fluctuations in rubber for this as well as other rubber and tire manufacturers. This is another step in reducing the former vulnerability of these companies to changes in world markets in the commodity, thus attesting to the fact that the industry is now on a much more stable basis than in former years. Financial strength is impressive with current assets (Sept. 1953) at $368 million.

DIVIDENDS: Current payments are at the rate of $2 annually well within the prospective capacity of the company to maintain.

MARKET ACTION: Recent price of 30, compares with a 1953-54 range of High—32⅜, Low—23¼. At the current price, the yield is 6.6%.

COMPARATIVE BALANCE SHEET ITEMS

	Dec. 31 1944	Sept. 30 1953 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 28,219	$ 61,874	+$ 33,655
Receivables, Net	53,566	114,503	+ 60,937
Inventories	75,425	192,402	+ 116,977
TOTAL CURRENT ASSETS	157,210	368,779	+ 211,569
Net Property	63,708	117,611	+ 53,903
Investments	6,970	4,799	— 2,171
Other Assets	11,993	3,427	— 8,566
TOTAL ASSETS	$239,881	$494,616	+$254,735
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 63,477	$140,043	+$ 76,566
Adv. Govt. Contracts	10,788	....	— 10,788
Reserves	8,791	16,079	+ 7,288
Long Term Debt	27,000	120,896	+ 93,896
Minority Interest	405	516	+ 111
Preferred Stock	65,109	65,109	
Common Stock	17,591	26,510	+ 8,917
Surplus	46,720	125,463	+ 78,743
TOTAL LIABILITIES	$239,881	$494,616	+$254,735
WORKING CAPITAL	$ 93,733	$228,736	+$135,003
CURRENT RATIO	2.4	2.6	+ .2

WESTINGHOUSE ELECTRIC CORPORATION

BUSINESS: One of the largest electrical equipment manufacturers. It has an extremely wide diversification of aparatus and general industrial products, and a complete range of household appliances, together with electronic equipment, incandescent and fluorescent lamps and fixtures, special commercial products and aircraft devices. Is also an important supplier of defense needs and holds a foremost position in the development of nuclear reactors.

OUTLOOK: Reflecting the tremedous growth of the electrical manufacturing industry, Westinghouse, whose sales crossed the billion dollar mark for the first time in 1950, has moved steadily forward, its 1953 volume being placed at $1,600 million. The company closed 1953 with an order backlog equal to 12 months' plant capacity, this calculation being based on increased output made possible by completion last year of new plants constructed under the $296 million expansion program inaugurated in the latter part of 1951. Although final figures for 1953 have yet to be released, a company estimate places net income for the year at approximately $4.50 a share, as compared with $4.23 for the year previous, and $4.03 a share for 1951. With higher billings for the current year, the uptrend in earnings for the common stock should continue, the possibility being that net per share will cross the $5 mark, especially now that the drain on net income has been relieved through the demise of the excess profits tax. Such an outlook augurs well for a more liberal dividend than the $2.00 a share paid annually by the company since 1950. With its expansion financing completed, a higher payout to the holders of the common stock appears probable, especially in view of the company's strong position as to working capital and its large holdings of cash and U. S. Government and other marketable securities, totaling at 1952 year-end more than $235 million.

DIVIDENDS: Except for the years 1933-34, Westinghouse has an unbroken cash dividend record extending from 1912. The current $2 rate was increased from $1.40 annually in 1949.

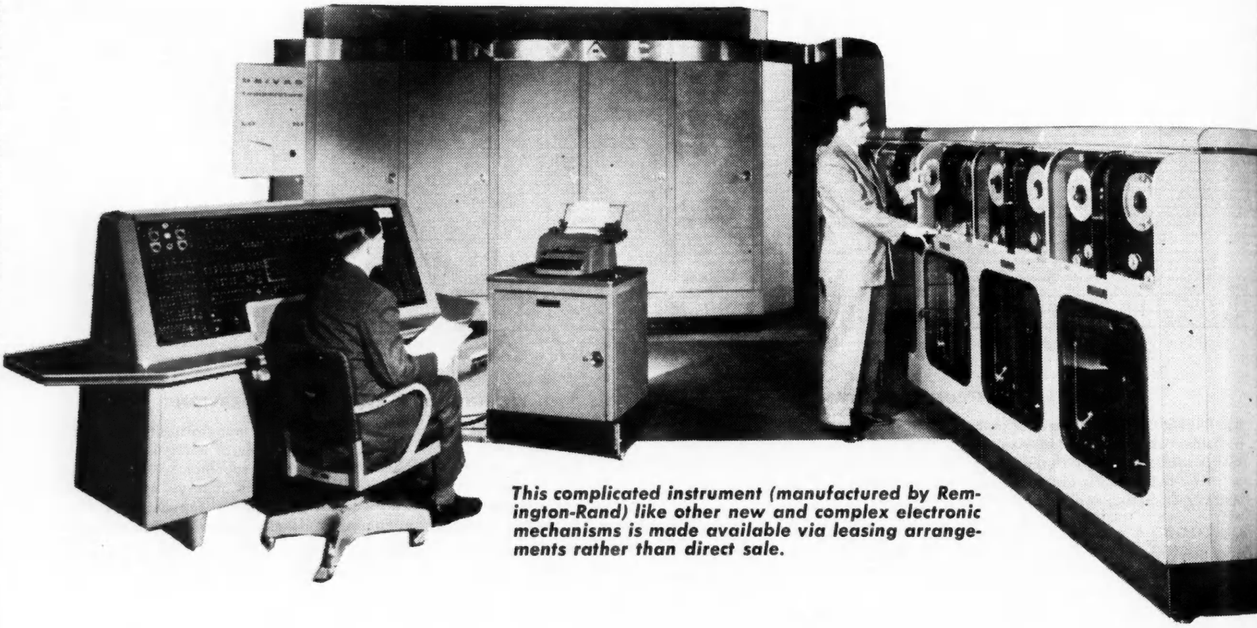
MARKET ACTION: Recent price of 54½, compares with a 1953-54 price range of High—57¾, Low—39½. At current price the yield is 3.6%.

COMPARATIVE BALANCE SHEET ITEMS

	1943	December 31 1952 (000 omitted)	Change
ASSETS			
Cash	$ 72,706	$ 65,096	—$ 7,610
Marketable Securities	41,292	170,691	+ 129,399
Receivables, Net	99,059	192,761	+ 93,702
Inventories	120,678	311,098	+ 190,420
Other Current Assets	8,887	38,650	+ 29,763
TOTAL CURRENT ASSETS	342,622	778,296	+ 435,674
Net Property	85,898	230,289	+ 144,391
Investments	26,705	168,338	+ 141,633
Other Assets	14,503	18,369	+ 3,866
TOTAL ASSETS	$469,728	$1,195,292	+$725,564
LIABILITIES			
Notes and Accounts Payable	$ 52,453	$ 60,236	+$ 7,783
Accruals	4,134	62,790	+ 58,656
Tax Reserve	100,059	102,059	+ 2,000
TOTAL CURRENT LIABILITIES	156,646	225,085	+ 68,439
Other Liabilities	807	9,003	+ 8,196
Reserves	38,180	37,202	— 978
Long Term Debt	20,000	273,842	+ 253,842
Preferred Stock	3,999	50,000	+ 46,001
Common Stock	156,329	197,055	+ 40,726
Surplus	93,767	403,105	+ 309,338
TOTAL LIABILITIES	$469,728	$1,195,292	+$725,564
WORKING CAPITAL	$185,976	$ 553,211	+$367,235
CURRENT RATIO	2.2	3.4	+ 1.2

The Rental Equipment Group

By PHILLIP DOBBS



This complicated instrument (manufactured by Remington-Rand) like other new and complex electronic mechanisms is made available via leasing arrangements rather than direct sale.

Leasing of machinery and other types of equipment of all kinds long ago attained the stature of "big business." With the development of the machine age with its emphasis on specially designed equipment, some of it complex and initially costly, it became apparent that it would be mutualy advantageous to both the equipment builder and the user to make the equipment available on a lease or rental basis. Complexity or initial cost, or in combination, are not always the only factors. These may be completely absent in determining whether a certain type of equipment should be sold outright or leased.

Some machines, for instance, are designed to function in connection with a product that with the machine are covered by basic patents. The machine and the product form a combination. For illustration —the Ex-Cell-O Corp., among its many other well diversified operations, designed and builds the Pure-Pak milk packaging machine in connection with a especially designed single-service paper container in a complete range of sizes, from half pints to half gallons. Inasmuch as the machine and the container are made available to the dairy industry in combination, use of one without the other, if that was possible, might well be construed as violating the rights granted the patent owner. The machine, therefore, is of value to the dairy using it so long as it continues to package milk or other dairy products in Pure-Pak containers. Under these conditions the most equitable method for the dairyman and Ex-Cell-O Corp., is for the latter to place the machines on a lease basis.

Such a practice is common in the dairy industry in connection with other equipment. In some instances, the rental for a machine, extending perhaps over a five-year period, is calculated simply to cover the cost of the machine, after which, the rental is fixed on a nominal basis. This method may vary, of course, but in any case a continuing income is derived from the sale to the user of containers or other products used in connection with the equipment.

Ex-Cell-O's Pure-Pak business forms only one segment of its business. The company, one of the foremost builders of precision machine tools, has further diversification producing products ranging from cutting tools, airplane fuel injection equipment, parts for both reciprocating and jet aircraft engines, and airframe parts.

Reflecting postwar demand for machine tools and the greatly increased production of the aircraft industry has been the steady climb of Ex-Cell-O's sales and operating revenues to 1952 fiscal year peak of close to \$89 million, producing net earnings, after an EPT payout of \$4.90 a share, equal to \$8.16 a share for the common stock, the only capital obligation. Ex-Cell-O's fiscal year sales and rentals, based on the first nine months' showing, should establish a new record high. After allowing for another substantial bite into earnings by EPT, and the 10% stock dividend paid last April, net for the 1953 fiscal year should run close to \$7.25 a share. Its Pure-Pak business, amounting to \$10.3 million in 1951, increased to a little more than \$12 million in 1952, and probably scored a proportionate gain for the year ended Nov. 30, 1953. This segment of operations has steady increased in each of the last 10 years, taking on the characteristics of a growth industry, provid-

ing at the same time a dependable source of revenue to augment that derived by the company from its many other divisions.

Leasing a Varied Business

Another field of leasing or renting where complexity or initial cost of equipment is not a factor is that involving use of railroad transportation facilities in the form of tank cars, refrigerator cars, stock cars and miscellaneous cars, some of which are specially designed to carry specific commodities. The two leading car leasing companies are Union Tank Car Co., and the General American Transportation Corp., the former operating a fleet of approximately 48,000 units, most of them steel tank cars for the transportation of petroleum by-products, and other bulk liquids; and the latter a fleet of approximately 60,000 units, comprising about 44,000 steel tank cars, about 13,500 refrigerator cars, the bulk of which are leased to Swift & Co., and the balance miscellaneous types.

In the latter group is one of General American's latest developments, the Trans-Flo car, designed particularly for the flour milling and baking industry for the transportation of flour in bulk. Although introduced only a few years ago, the Trans-Flo has been accepted by most of the larger millers and bakers as a more economical operation, eliminating the conventional shipment in bags in box cars and, at the same time solving a sanitation problem. Before long, the company expects to be producing its "Airslide" car in quantity for lease and sale. This is a radically new type of car from which granular or powdered materials flow much as liquids unload from tank cars.

Both General American Transportation and Union Tank Car lease tank cars to shippers at fixed monthly rates for varying lengths of lease. In some instances, these leases, especially for the new and higher priced cars, run for 10 years, with the average term for the fleet covering a four year period.

Union Tank, operating two car building shops and car repair facilities in this country and Canada, leases its tank cars, under exclusive contract, to practically all the so-called Standard Oil units and other important oil companies for the transportation of gasoline, fuel oils, lubricating oils, asphalts, and liquefied petroleum gas. These are all commodities that seldom if ever are handled by pipelines which therefore offer no competition. Income from car leasing, over a number of years, has been remarkably stable, enabling the company to maintain uninterrupted dividend payments on its capital stock ever since 1914. The current annual dividend of $2.60 a share maintained since 1948, was augmented in 1953 by an extra of 10 cents a share, bringing total distributions for the year to $2.70 a share, for which estimated 1953 net of $4.35 a share, as compared with $4.06 in 1952, provided ample coverage.

General American Transportation

General American Transportation, like its contemporary, also has leasing contracts with large oil companies for tank cars, but achieves greater diversification in rentals of tank cars, refrigerator and other types of cars to the food, chemical, wine, naval stores and a variety of other services. In addition to building freight cars for its own use and sale to others, and maintaining strategically located car repair facilities, the company's ramifications include operating seaboard and inland terminals for the handling of liquid commodities; the manufacture of pressure vessels; field erection of tanks, gasholders, towers, and process equipment; a plastic division, and a division for the designing and manufacture of a wide range of processing machinery for process industries. As recently as last October, it acquired the long established Parker-Kalon Corp., manufacturers of fastening devices, which it will operate as a division of the parent company.

In its search for improved interior linings for tank cars, General American has developed a process to apply nickel by chemical reaction to the surfaces of steel, aluminum, brass, magnesium, glass and plastics. Because of the superior quality of the nickel applied under this process and its replacement of higher cost base materials, it is expected that due to the magnitude of the nickel plating field, the company will find it profitable to license others to use the process. This, however, may be delayed until all the patents for which it has applied are granted. (*Please turn to page* 694)

Companies Active in the Equipment Rental Field

		1952		1953				
		Earnings Per Share	Div. Per Share	Estimated Earnings Per Share	Div. Per Share	Price Range 1952 to 1954	Recent Price	Div. Yield
Compo Shoe Machinery	Shoe machinery	$ .78	$ .70	$ .75	$ .70	11 - 8⅜	8¾	8.0%
Ex-Cell-O Corp.	Milk packaging equipment	7.42	2.00[1]	7.20	2.00[1]	60¾- 39½	59	3.3
Food Machinery & Chem.	Food packing & packaging equipment	3.41	2.00	3.50	2.00	56¼- 33¼	39	5.1
General American Transp.	Rail freight cars	3.03	1.75	3.55	1.87½	40¾- 25⅝	40	4.6
Int. Business Machines	Business machines	9.81	4.00[1]	10.20	4.00[1]	270 -186	270	1.4
Pitney-Bowes	Postage meters	1.34	1.00	1.40	1.00	25 - 15⅞	24	4.1
Remington-Rand	Business machines	2.71	.75[1]	2.10	1.00	21¼- 13½	16	6.2
Union Tank Car	Rail tank cars	4.06	2.60	4.15	2.70	46¼- 37⅞	45	6.0
United Shoe Machinery	Shoe machinery	2.88	2.50	2.95	2.50	45⅛- 35¼	39	6.4

[1]—Plus stock.

TITANIUM

Coming of Age

By L. A. LUKENS

Titanium's recent rapid progress has led to numerous sales, production and metallurgical problems, which would not have been met if the metal had enjoyed the slow, normal growth of aluminum, stainless steel and other metals.

Government sponsorship, caused by military needs, has been responsible for the rapid growth in production capacity. Yet, at the very moment when the industry is under forced draft to expand, Government procurements agencies—chiefly the Air Force—have substantially stepped up quality standards, thus creating new complications in production.

Leading producers admit freely that ordinary commercial principles would not have permitted construction of the present titanium capacity. The pilot plant stage was greatly compressed, to permit maximum production for defense at the earliest possible date. This has entailed risks that an enterpreneur would not ordinarily take. But the Government, through purchase agreements covering part of output, and through accelerated amortization covering most of the facilities, has eased most of the risks for established producers of titanium sponge.

The rewards to the successful producers will be rich, if the defense program continues at anything like its present magnitude for the next ten years. By that time, the industry should be launched with a dollar volume approaching that of the present volume for stainless steel, although tonnage should still be well below recent stainless output of about 400,000 tons a year.

But that does not mean that the position of any of the present producers of raw or sponge titanium is entirely secure. In a field where technological progress will be rapid, one or two producers may wind up with the lowest cost, commercial processes. This is possible because the individual producers are competing vigorously in the field of research and development. Pooling of technological knowledge is only being achieved to the small extent that Bureau of Mines metallurgists are able to learn what private research and development is accomplishing, and distribute the knowledge more widely. The situation is not at all like that in aluminum where the major producer Aluminum Company of America aided new competitors to enter the field during World War II.

Here are some of the questions which the investor in titanium securities must try to answer:

Which of the several processes for producing titanium sponge, the raw material, is likely to be generally adopted?

Which company is most likely to keep pace with technological progress in production?

Assuming that a company can be expected to meet competition in the scientific field, will the metal enjoy a commercial market, or will its continued high price confine its use largely to defense applications?

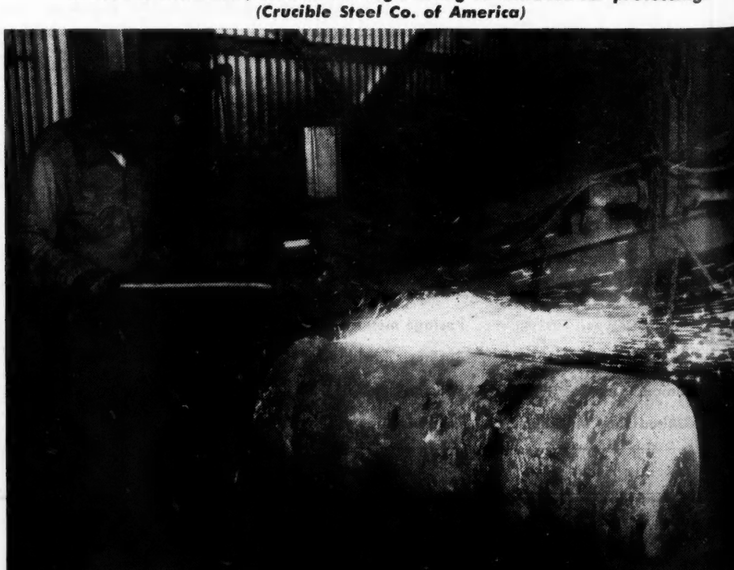
Will the Government allow the present producers to reap the full rewards of their research and development, or will the large military demand bring an important group of new producers into the picture, who will share in the profits?

Definite answers to most of those questions are not obtainable at present. The uncertainties remain large, because the metal is still in its earlier stages. The imponderables are vast—world politics, the policies of our own government, the battle for supremacy in the laboratory, in the pilot plant, and finally on the production line.

Titanium barely four years old as a metal of military importance, has come into the spotlight because it has half the weight of steel, and twice the strength of aluminum. Moreover, at temperatures up to 800 F. it retains a very large proportion of its strength, unlike aluminum.

Increasing military requirements for titanium are rapidly bringing the day when this new wonder

A Rem-Cru Titanium, Inc. two-ton ingot being conditioned for processing. (Crucible Steel Co. of America)



metal will achieve an important status in commercial applications. For with increased production, costs are likely to be reduced sufficiently to enable titanium to enter into competition with stainless steel, aluminum and other metals on a substantially larger basis than at present.

During 1953, titanium's progress, as measured in output, continued at a much more rapid rate than aluminum or stainless at corresponding stages of their development. Titanium sponge production last year was estimated at 2,250 tons, or more than double the 1952 output of 1,075 tons. In 1951, output was only 500 tons, and in 1950, only 50 tons. So it is evident that titanium output has in each of the last four years more than doubled the output of the preceding year, and this performance is likely to continue for several years.

An output of 2,250 tons does not sound like a large amount, in contrast with aluminum capacity of nearly 1½ million tons a year. But in terms of the present price for sponge of $5 a pound, last year's output was worth $22,500,000, and in terms of finished titanium sheets, wire and forgings, the value was much more than that amount—probably over $80 million.

Companies With Various Degrees of Interest in Titanium

Company	Affiliation	Price Range 1952 to 1954	Recent Price	Indicated Div.	Div. Yield
Crucible Steel	Rem-Cru Titanium Co.	39¾- 20¾	23	[1]	......
Remington Arms	Rem-Cru Titanium Co.	9⅜- 6½	8	$ .50	6.2%
Du Pont	Controls Remington Arms	111½- 79⅝	107	4.00	3.8
Crane & Co.	Cramet Inc. (a subsidiary)	38¼- 25⅛	30	2.25	7.5
Sharon Steel	Mallory-Sharon Titanium Co.	43½- 32	35	4.00	11.4
Allegheny Ludlum Steel	Titanium Metals Corp.	46⅞- 25⅛	32	2.00[2]	6.2
National Lead	Titanium Metals Corp.	53 - 40⅛	39	1.75	4.4
Ferro Corp.	Horizons Titanium Corp.	38½- 19	22	.80[2]	3.6
Monsanto Chemical	Horizons Titanium Corp.	109½- 79	84	2.50	3.0
Kennecott Copper	Quebec Iron & Titanium Corp.	92⅛- 59⅛	70	6.00	8.5
New Jersey Zinc	Quebec Iron & Titanium Corp.	80 - 38	37	2.00	5.4
Dow Chemical	Research	44¼- 33¼	34	1.00[2]	2.9
American Cyanamid	Research	62¼- 41⅝	46	2.00	4.3
Union Carbide & Carbon	Research	75¼- 57	71	2.50	3.5
Republic Steel	No affiliation	52¼- 37⅝	49	4.12½	8.4
Union Pacific R. R.	Titanium ore discovered	121½-100	115	6.00	5.2

[1]—Dividends payable in stock. [2]—Plus stock.

Income from Titanium

Nevertheless, it cannot be said that titanium has as yet become an important source of income to du Pont, National Lead, Allegheny Ludlum Steel Corporation, Sharon Steel, Crucible Steel, Republic Steel—the companies which are already active in the field. Nor is it likely to add anything to Crane Company's income for several years, in spite of the fact that this company is building a $25 million plant to produce titanium sponge—nearly double the capacity of the present two large sponge plants.

At present, less than 5 per cent of the output is going into commercial uses—into chemical plants, where it has valuable corrosion resistance qualities; and in commercial airplanes, like the crack new Douglas D-C 7, where its high strength and low weight is paying for itself in spite of the high cost of titanium, particularly in uses where it supplants stainless. The rest of the production is going into military planes, guided missiles, etc., where its high strength at high temperatures is making it irreplaceable. As plane speeds move into the supersonic range, high temperatures generated by friction of the plane's skin with the atmosphere make aluminum unsuitable as a surface material. In addition, large quantities of titanium are needed for blades and other parts of jet engines.

As long as the defense program remains at the present high level, the needs for the metal will remain large, even at $5 a pound for titanium sponge, particularly since more and more attention is being paid to supersonic planes and guided missiles with speeds ranging up to 2,500 miles per hour. Hence, defense leaders have made it plain that they want substantially more titanium capacity, at the earliest possible date. But production methods are by no means stabilized as yet.

Recent developments have been both favorable and unfavorable to early commercial use of titanium.

The Government has raised its titanium goal from the present level of 25,000 tons by 1956 to a substantially higher figure—probably at least 37,500 tons annual capacity. Several thousand tons of the new capacity would probably be accounted for by titanium scrap which could be melted in furnaces. The rest would have to come from new primary sponge plants. At present, titanium sponge capacity is only 7,680 tons, but production is well below that level. The new Cramet plant, owned by Crane Corp. will bring total U. S. capacity to 13,200 tons of ingots annually when it is finished this year. To meet the new goal of 37,500 tons, one or more new producers will probably enter the titanium picture in 1954. Furthermore the 37,500 ton goal will be increased before long. The Air Force and other government agencies say they will need 100,000 tons by 1960.

While the Government has been stimulating new growth, it has slowed down actual output by imposing higher standards for the metal in aviation uses, such as improved hardness.

But titanium sponge has proven itself an exceptionally difficult material to make to the required specifications. Disappointments have been met occasionally in reaching the output rates which were set only 3 years ago. The Kroll process, which is currently used, is essentially a batch chemical process employing magnesium to refine titanium tetrachloride. Production costs will not be cut substantially until a continuous chemical or electrolytic method is developed. Then the price of sponge may drop to $3 a pound or less, according to some producers. At this price, titanium would begin to compete with stainless in commercial applications on a larger scale. At $2 a pound, airplane manufacturers estimate the use of titanium would rise to 21 per cent of the airframe weight in commercial planes.

At least some of the new producers who are eager to enter the titanium field want Government loans to finance construction of sponge plants, and they also want the Government to assure a market

for some or all of their titanium at least until the plants are paid for.

The Government is requiring the new candidates to demonstrate that they have operated successful pilot plants. In this way it wishes to avoid a waste of Government funds, owing to the exceptionally difficult problems faced by new titanium producers, particularly in meeting quality standards. But testing processes in pilot plants takes months or years.

The first reduction in prices of rolled titanium was announced by Titanium Metals Corporation of America in mid-February. The cut amounts to an average of 12 per cent for commercial pure sheet and plate titanium. Rem-Cru Titanium later announced a cut running up to 14 per cent in bars and finished titanium. The sponge price remains unchanged. These reductions have been made possible by rapidly expanding production and continuous mill rolling of titanium, which have brought costs down. Sheet and strip prices still range from $15 to $29.75 a pound.

Entirely aside from important commercial uses, it has become clear that big quantites of titanium would be used for other phases of the defense program—for ships, ordnance, etc.—if the metal were available. This tends to place pressure for further expansion.

At present, the major producers of sponge are not exchanging data on their methods of production. It remains to be seen how this matter will be handled. If the established producers were forced to share their know-how with new producers entering the program, the advantages of an early start enjoyed by the oldest producers would be lost, to some extent.

The low current rate of output has prevented the major jet engine companies from changing their designs to incorporate titanium. This, too, has slowed down the air frame companies in designing planes specifically built to use the lighter engines containing titanium. Hence, some titanium currently produced remains unsold. But as titanium production rises, the titanium procurement picture will change swiftly for the better.

Investment Interest

At present, investors cannot purchase into a company whose interests in titanium are its major activity. All of the companies active in the titanium field are already major producers of metals or chemicals. Hence, their interest in titanium primarily represents increased diversification. By broadening their bases, these companies are placing themselves in position to enjoy further growth, but because they are already large units, from the standpoint of capitalization and net worth, the speculative possibilities are not as brilliant as would be the case if titanium were their sole venture. Yet, if titanium becomes a billion dollar business within ten years, as seems possible, the contribution of the new metal to the net profit of individual companies could be substantial.

The only major producers of titanium sponge at present are du Pont and Titanium Metals Corporation of America, the latter jointly owned by National Lead and Allegheny Ludlum. Titanium Metals is the only fully integrated unit, with operations extending from ore to finished product. The output of these titanium plants is still well below their goals of 3,600 tons a year for each. The du Pont plant is on schedule but the Titanium Corp. plant has been coming along more slowly.

The Crane Corporation, through its subsidiary, Cramet, hopes to begin production late this year or in early 1955, when its $25 million dollar 6000-ton plant goes into operation. The Defense Material Production Authority in mid 1953 contracted with Cramet for construction of this facility at Chattanooga. Full production is expected by 1956.

The expansion program currently being discussed by General Services Administration is expected to increase the participation of du Pont. GSA has announced an engineering contract with du Pont for the latter to design a new plant of 7,000 to 8,000 tons sponge capacity, at Johnsonville, Tenn. The construction contract, however, has not been signed as yet. If this plant is built, du Pont will probably invest its own money in it.

National Lead has indicated it will not seek additional capacity until it has its present 3,600 ton plant running smoothly. This may be later this year.

An Important New Producer

A stand-out among the new producers who are seeking to obtain Government contracts of various kinds is Union Carbide & Carbon.

Its program is unique, in that it has made a proposal to build a 10,000 ton sponge plant with its own money, provided that the Government will assure the sale of 4,000 tons a year. The other producers or prospective producers have received Government loans.

Union Carbide proposes to use a new chemical sodium process apparently similar to the method to be used by Imperial Chemical Industries in England. It has tested this process in various sizes of pilot plants. If this plant is approved and performs as satisfactorily as it has in the pilot plant stage, it is expected to achieve a reduction in costs, compared with the Kroll batch process. Du Pont engineers have conceded that the Kroll batch process may shortly become obsolete, and it can therefore be assumed that du Pont and National Lead have been working on developing a new type of electrolytic or continuous chemical process, to cut their production costs. But these processes cannot yet be used in a production plant.

If Union Carbide enters the picture, that company will only produce sponge. It will not attempt to become an integrated producer, like the Titanium Metal Corporation which carries titanium from ore to the finished sheets, wire or forgings.

Another potential producer of sponge, if the titanium program is increased, is Quebec Iron & Titanium, owned two-thirds by Kennecott and one-third by New Jersey Zinc. This company is already producing pig iron and titanium oxide from a high grade iron-titanium deposit in Canada. This titanium oxide is being used in paint and tire making. Quebec Iron has in the pilot plant stage a continuous thermal diffusion process for making titanium metal.

Still another candidate for sponge capacity is National Research Corporation, which is conducting its investigations jointly with Monsanto Chemical. National Research says it has developed two chemical processes, either of which would cut investments and manufac- (*Please turn to page* 701)

The Slump In . . . MUTUAL FUNDS

By J. C. CLIFFORD

The first major test of mutual funds since the end of World War II was encountered in the August-September decline last year. Many who have been following mutual fund affairs wondered how these securities would fare in a major market reaction. They received at least a partial answer. The record shows that the asset of open-end funds, which are the most widely distributed of this type of shares, declined from 7% to nearly 20%, according to individual instances, from the end of 1953 to the lowest point of the September decline. This compares with a 14% decline in the general market (Dow Jones 65 stock composite). On face, the comparison between the performance of mutual fund shares and the general market would not seem too unfavorable except that several special factors must be taken into consideration. First is the fact that the claim for mutual funds is that they "can do better" than most individual investors acting independently but, according to the figures given, the record last year does not bear this out. Second, is the fact that the widespread diversification of the funds, which is stressed as a valuable feature, did not appear to offer any especial protection, at least according to their performance during last year's weak markets. Third is the 8% loading charge which the buyer must add to the asset value of his shares on purchase. Fourth is the fact that managements charge 15% of annual investment income for their services which the average buyer may find reasonable at a time of rising markets but which leaves him cold when conditions are the reverse.

Against the background of these four separate aspects of mutual fund operations, none of which apply when individual investors—with or without investment counsel—are in control of their own security selections, it would seem that the disadvantages of mutual fund shares to some extent counterbalance any other advantages they may be said to posess.

One of the greatest drawbacks to open-end mutual funds is that they are not subject to normal market hazards—as is any individual investor—but that they are dependent to a large degree on the flow of new cash funds from the sale of their shares to the public. If the sale of new shares should decline substantially, with a proportionate decline in redemptions, the size of investible funds available for new investment would also shrink. This would affect the "funds" capacity to carry on "averaging" operations on which they depend to take advantage of the best market opportunities. It should be pointed out that these "funds" generally have a larger amount of cash available for new investment when the market is high and public enthusiasm stimulated than when it is low and investment opportunities in the investment market more abundant. This is one of the inescapable ironies of the situation. Furthermore, it is a situation over which the management of mutual funds necessarily have little control. In any event, due to the circumstances described, the buying operations of the "funds" are affected by the amount of cash they have on hand for the purpose.

It will be seen that fund shares are subject not only to market changes but to shifts in the sentiment of potential customers. Since these funds have not as yet been exposed to the effects of a truly prolonged market decline—the one last year though sharp being comparatively short-lived—it cannot be said that redemptions at some future date might not actually exceed or at least equal the amount of new sales. (*Please turn to page* 694)

Changes in Asset Value of Open End Funds

	Asset Values ($ Per Share)				
	1952 Year-end	Sept. 30 1953 (Approx. Mkt. Lows)	% Change From 1952 Year-end	1953 Year-end	% Change From 1952 Year-end
Affiliated Fund	$ 5.04	$ 4.67	— 7.3%	$ 4.91	— 2.6%
Broad Street Investing	22.82	20.73	— 9.1	22.18	— 2.8
Bullock Fund	25.09	22.41	—10.7	23.79	— 5.2
Dividend Shares	1.99	1.81	— 9.0	1.90	— 4.5
Diversified Common Stock Fund	5.63	4.93	—12.4	5.22	— 7.3
Eaton & Howard Stock Fund	24.40	22.51	— 7.7	24.04	— 1.5
Fundamental Investors	20.58	17.88	—13.1	19.11	— 7.1
Group Securities: Com. Stock Fund	9.10	8.20	— 9.8	8.52	— 6.4
Incorporated Investors	11.38	9.63	—15.4	10.36	— 9.0
Investors Management Fund	18.24	15.96	—12.4	17.12	— 6.1
Massachusetts Investors Fund	20.42	18.09	—11.4	19.53	— 4.4
Mass. Invest. Growth Stock Fund	18.23	15.74	—13.6	17.14	— 6.0
National Investors	12.23	10.99	—10.1	12.09	— 1.1
National Securities: Stock Fund	6.06	4.85	—19.9	5.19	—14.4
Scudder, Stevens & Clark	15.00	13.65	— 9.0	14.50	— 3.4
Selected American Shares	13.98	12.49	—10.7	13.32	— 4.7
United Income Fund	12.81	11.56	— 9.7	12.32	— 3.8
Wall Street Investing	14.51	13.62	— 6.1	14.37	— 1.0

FOR PROFIT AND INCOME

Paint

Much more paint is used for replacement work than new building. Record postwar building means record replacement needs ahead. That applies to 1954. Demand will be less affected by variations in consumer income than in the past because of the growing percentage of homeowners who do their own painting, saving the bulk of what the cost would otherwise be. The biggest paint maker in the world, and the one which is directing its merchandising most directly to cash in on the "paint-it-yourself" market is Sherwin-Williams. Net was $7.29 a share in the fiscal year ended last August 31 and may be higher this year. Dividends were $3.75 total last year, and may be higher this year. The stock is neither cheap at 81 nor unduly over-priced, its good quality considered. It is probably a sound investment on a longer-term basis.

Iffy

There is an old saying about many a slip betwen cup and lip; and an old warning against counting chickens before they are hatched. Both can apply to the stock market. It has been taking the proposed substantial tax credits for dividend income largely for granted. Now it is beginning to wonder a bit whether they will get through Congress as proposed, be scaled down or fall by the wayside. There was a good deal of dividend-tax-credit enthusiasm in the market rise from late December into early February. Take it out, with the technical position justifying some correction anyway and with stock prices easing some at this writing, and the market could have quite a spill. The whole question of the tax credits has now become "iffy."

Profits

Investors have been allowing for "moderately" lower 1954 corporate earnings, figuring that EPT lapse would offset a substantial part of the impact of shrinkage in corporate income before taxes. Perhaps so; but to some extent this is also counting chickens before they are hatched. The $64 question is how much might pre-tax earnings fall? Nobody can be certain about the answer. But when sales are easing and the competitive pressure is on, contraction in operating profit margins can be uncomfortably sharp in many instances. Margins were better than usual in the sellers markets during part of 1950 and 1951; and have since been generally lower, even with business activity rising. Thus, total pre-tax profits in 1951 were $43.7 billion, with the Reserve Board production index averaging 120 for the year. They fell to $39.2 billion in 1952, via tougher going in quite a few lines of business, with the production index up to 124. In 1953 they about equalled or only nominally bettered the 1951 showing, though the production index rose further to a record 134 average. Profit per dollar of sales has been receding.

Examples

Despite a boom level of over-all economic activity and record consumer income, operating profit margins, as compared with 1950-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Acme Steel Co.	Year Dec. 31	$ 3.38	$ 2.35
Texas Gulf Producing	Year Dec. 31	3.47	2.88
Bendix Aviation Corp.	Quar. Dec. 31	2.25	1.83
Continental Oil	Year Dec. 31	4.20	3.91
Sutherland Paper Co.	Year Dec. 31	3.25	2.74
Imperial Oil Co. Ltd.	Year Dec. 31	1.61	1.38
Deep Rock Oil Corp.	Year Dec. 31	3.26	2.01
Merritt-Chapman & Scott	Year Dec. 31	4.96	2.72
Rohm & Haas	Year Dec. 31	6.73	5.51
Pacific Gas & Elec.	Year Dec. 31	3.12	2.52

1951, have taken a beating, ranging from bad to considerable, in all branches of the textile business, in the television-radio field, as well as in household appliances generally; in farm equipment, distilled liquor, in drugs, to some extent in chemicals, in carpets and rugs, and in railroad equipment. Some lines in which 1954 operating margins may shrink considerably, as compared with 1953, are automobiles, especially for the makers other than General Motors and Ford; auto parts, copper, machinery, metal fabricating, oil refiners; department stores, variety chains and mail-order concerns; tires; possibly cigarettes; and possibly paper. So far as can be seen now margins should be little changed from those of 1953 in such fields as aircraft, aluminum, soft drinks, confectionary, such branches of building materials as cement and paints; dairy products, baking and food brands; crude oil producers and integrated oil companies strong in crude production; shoes; and food-store chains.

Two-Way

Lapse of EPT will, of course, aid many companies. However, EPT had a relief provision under which, if earnings fell below the calculated exemption base, portions of EPT paid in the previous year could be recaptured. Under this provision, which is now out the window, International Harvester, for instance, in its last fiscal year got back close to $4 million in taxes paid in the prior year. There have been other examples in lines depressed or semi-depressed, aftr having been profitable enough to pay EPT charges in 1951 or 1952 or both. However, this is water over the dam. Some companies which paid heavy EPT in 1953, may get no benefit this year from lapse of the tax, because pre-tax profits will be sharply lower; and they cannot recover any portion of EPT paid in 1953. One likely example is Chrysler, which paid around $13 million in EPT last year. This, of course, has nothing to do with the regular loss-relief provision, under which a company which is actually in the red can get a recovery on taxes—either EPT or regular income tax—paid in either of the two prior years.

Cigarettes

The industry has been subject not to one but a continuing barrage of attacks from medical sources, alleging some link between smoking and cancers of the respiratory system. Up to now, each time there is publicity on a new smoking-cancer medical report, there is a new wave of selling in the stocks. Dollar sales have been at least moderately affected, after years of gradual uptrend. What has hit the industry was no more foreseeable by the company managements, by investors or by security analysts than is an earthquake or a hurricane. The ironical thing is that these stocks had appeal primarily for conservative investors. Because uncertainty has now replaced stability, that appeal has been largely reduced. It may be that the actual damage to long-range sales and earnings will not be serious; but the cold fact is that nobody can be certain what the outcome will be. Therefore, it has become a conjectural and speculative question, rather than any matter of investment analysis, whether the stocks have about seen their worst or whether they might still go materially lower, regardless of current high dividend yields.

High

There is much to be said in favor of putting accumulating savings into good growth stocks. There is no doubt that stocks like General Electric, Union Carbide, Dow Chemical, Minnesota Mining & Manufacturing, Scott Paper, and Minneapolis-Honeywell, among various others, can be ranked as growth stocks. People who started buying them some time ago are "sitting pretty"; and should neither sell nor stop buying, for there is no merit in a dollar-averaging plan, which eliminates judgment of market timing—but not, of course, as regards stock selections—unless it is systematically continued on a long-term basis. But when to start a dollar-averaging plan does involve some judgment. If started at too high a level of stock prices, it can leave the investor in an uncomfortable spot, as a result of decline in prices, for some rather lengthy periods of time. Dollar-average stock buying, started in 1929, or early 1937 or 1939 or early 1946, took plenty of time to begin paying off. Most growth stocks, including those cited, are now more dear than cheap.

Biscuits

The cracker and cookie business, despite keen competition, is a good one in terms of stability of sales; and gradual growth thereof, in line with population growth. It should become a better one, since the biggest population gain for some years to come will be in children of cracker-and-cookie eating ages — the record baby crop of the war and early postwar years. The three leading companies are National Biscuit, Sunshine Biscuits and United Biscuit. In the postwar period to date the latter two have forged ahead faster than National; and United faster than Sunshine. In 1945, United was about 40% behind Sunshine in sales. They are now almost neck and neck. Although there is no great difference in price-earnings ratios or yields among these three stocks, our choice for conservative investment is United. Earnings recently have been making the best showing of the three. They are estimated around $4.40 a share for 1953, against $4.19 in 1952. More important, the $2 dividend is only some 45% of earnings, against about 70% in the case of the $4 Sunshine dividend; and around 76% for the $2 National divi-

(*Please turn to page* 694)

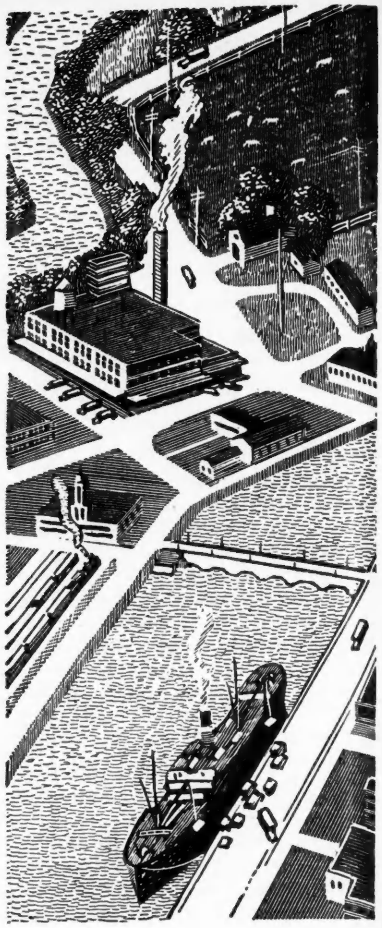
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Keystone Steel & Wire	Quar. Dec. 31	$ .55	$ .71
Spiegel, Inc.	Year Dec. 31	.53	.83
Hayes Mfg. Corp.	Quar. Dec. 31	.05	.21
Nash-Kelvinator Corp.	Quar. Dec. 31	.22	1.27
Penna. Salt Mfg. Co.	Quar. Dec. 31	.50	.71
Eagle-Picher Co.	Year Nov. 30	3.28	4.08
Penn-Dixie Cement Corp.	Quar. Dec. 31	1.32	1.54
Newport Industries	Quar. Dec. 31	.27	.37
Allied Kid Co.	6 mos. Dec. 31	.61	1.50
Sunshine Mining Co.	Year Dec. 31	.58	.82

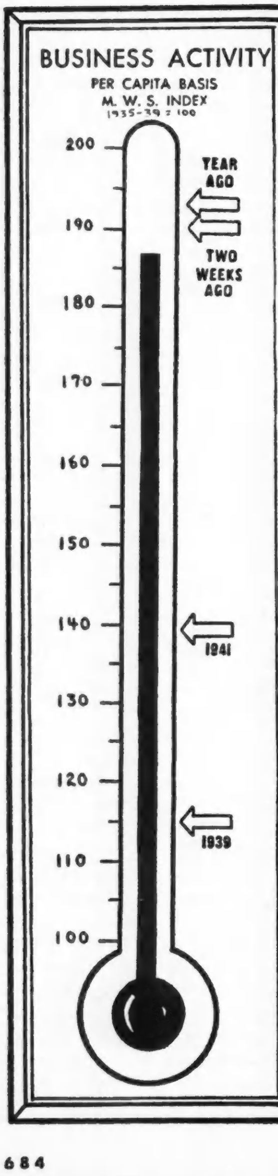
The Business Analyst

What's Ahead for Business?

By E. K. A.



Business sentiment has shifted a little during the past month or so. As the hypnotic influence of the customary optimistic year-end and new year forecasts has worn off, business leaders are taking a more realistic view of the situation. It would be erroneous to state that pessimism has gained any ground but, at the same time, it cannot be denied that optimism is running less high. The prevailing belief is that, although the decline in business activity under way since last Summer may not be checked this Spring, as many had anticipated earlier, the Administration will not permit the downturn to go much further.



Since last July, the Federal Reserve Board index of industrial activity has declined 10 percent or about the same as the 1948-49 decline before the steel strike in the Summer of 1949 forced a further dip. With this development, "recession" is no longer considered as a nasty word. Unemployment, as a result of a revised Commerce Department method of collecting data, has been found to be about three quarters of a million larger than indicated by the former method, a fact which the Administration made no attempt to conceal. Labor leaders and the political opposition have been exploiting the business downturn and the increases in unemployment to the limit, with an eye to the elections next November.

The truth of the matter appears to be that the setback is a little greater than most business men had expected and that it probably will not be checked as early as had been expected, but that there is no cause for alarm. It now appears that the so-called "Eisenhower boom", that began in the late Fall of 1952 and continued into the late Spring of last year, was not entirely warranted and that what we are witnessing now is a correction of that over-optimism.

In the past, a setback of comparable magnitude following upon a long period of high level business activity undoubtedly would have occasioned widespread fears of a serious business depression. By now, there would be evidence of downspiraling. But while the economists disagree among themselves as to how much actually is known of the cause and cure of business recessions, the majority of busines men are convinced that Washington now has the answer. Evidence of this confidence is seen on all sides. Capital expenditures are proceeding on a high level. Although some industrial materials have given way a bit, the general commodity price index—ordinarily very sensitive to ups and down in industrial activity—has continued to show the same high degree of stability as it displayed throughout 1953.

Nevertheless, it must be recognized that some of the signs and portents are not so favorable as had been anticipated. There has been much talk of the prospect for well-sustained consumer expenditures, with consumers drawing upon their savings to offset declines in income. Numerous economists have gone on record to state that consumer expenditures for soft goods would rise to offset the anticipated declines in spending for automobiles and other durable goods. Data for January and preliminary data for February indicate, however, that spending for both durable and nondurable goods is down.

Some measure of stimulus, rather than dependence on "natural" recovery, may prove to be necessary in addition to the incentives to business in the Administration tax program. There is little likelihood, however, that Washington will resort to inflationary stimuli but will rely instead upon sound measures that contribute to the future.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Higher prices and lower yields continued to be a feature of the bond market in the two weeks ending February 19. Market interest switched from Treasury obligations, which showed modest improvement, to corporate bonds, which exhibited consistent strength. Thus, the yield on a representative average of best-grade corporates fell four basis points during the period to a level of 2.93%, continuing the downtrend that, in a little over seven months, has brought yields down to their present level from last year's high of 3.44%. The market for new issues have enjoyed an even greater improvement and a clear illustration of this was afforded by the recent sale of $60 million of Pacific Gas & Electric 1st mortgages, of identical quality with a bond sold by this company nine months earlier. The current offering was taken at a 3.07% yield which compares with 3.90% for the earlier sale.

The basic factor in the upward trend of bond prices since mid-1953 has been the policy of consistently easing credit, the Administration's number one weapon in combating recession. Further assurance that this program would be continued and perhaps even intensified has been provided by recent news of rising unemployment and lower output which certainly provide justification for making money available at the lowest possible rates. Investors are also carefully weighing the effect of near-term factors in judging the current market. Most important in this regard is the prospect of Treasury borrowing in the not too distant future, with the turn-in of $5.9 billion of tax-anticipation notes on March 22, providing plenty of headroom before the debt limit is reached. The necessity of raising additional funds despite a near-balance in the cash budget for the current fiscal year, springs from the fact that the surrender of the notes reduces the amount of cash that will be received from taxes, so the Treasury will find it necessary to replenish its general fund balances. Although plans reportedly call for a long-term issue, the Treasury and the Federal Reserve will undoubtedly be careful to see that the new borrowing does not have any untoward effect on the supply of loanable funds at low interest rates.

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TRADE—The Commerce Department estimates that dollar volume of total retail trade in January fell 1% to $13,750 million from $13,916 million the previous month. The decline from year-ago sales of $14,140 million came to 3%. Sales by durable goods stores at $4.460 million were 7% under a year ago while stores selling nondurables were able to match last year's volume. Among durables, the automotive group has been hardest hit and sales of $2,405 million were 12% under January, 1953. However, the number of cars on the road is still mounting and this has helped gasoline service stations which did 9% more business than a year ago.

Department stores are doing better than retail trade as a whole and sales for the first seven weeks of 1954 were only 1% under the corresponding 1953 period. Reason for the relatively better showing is the adverse effect on total retail sales of the big drop in buying of autos.

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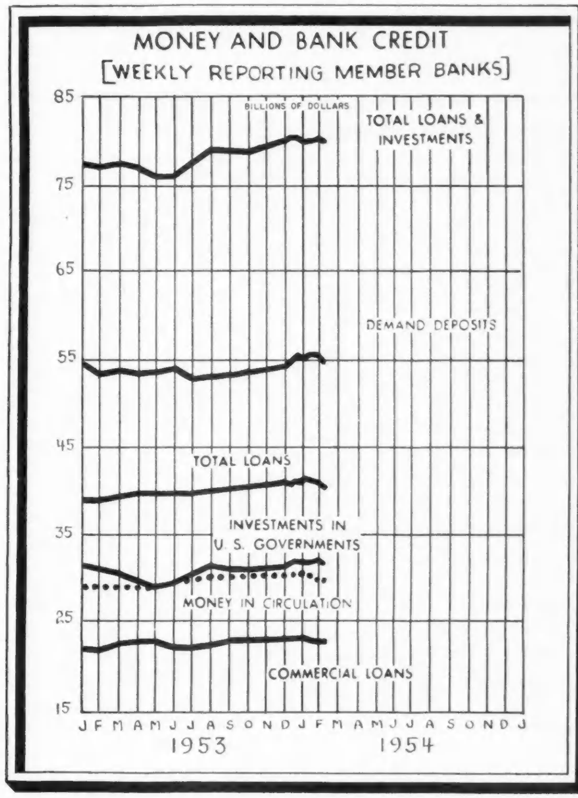
INDUSTRY—Output has declined again in January and the



Federal Reserve Board's Index of industrial production stood at 125% of the 1947-1949 average, where it was 9% under the peak reached six months ago. It is also perceptibly under the level of a year ago when it was 134% of the base period. Output of durable goods has fallen 11% from its high while production of nondurables has dropped 7% in the past six months.

Meanwhile, it looks as though February will witness further contraction, judging by the first two weeks of the month. The MWS Index of Business Activity was down to 187.2 for the week ending February 13, against 191.3 at the end of January. Lower output of coal, electric power, paperboard and steel, coupled with a decline in car loadings and lumber shipments were responsible for the lower level of the index.

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COMMODITIES—The lackadaisical price performance of most commodities was demonstrated again in the week ending Tuesday, February 16, as the Bureau of Labor Statistics index of primary prices remained unchanged from the previous week. In fact, for over two years now, this comprehensive index has had narrow fluctuations with the range for the entire period

(Please turn to following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Jan.	3.4	4.1	4.0	1.6
Cumulative from mid-1940	Jan.	537.2	533.8	484.7	13.8
FEDERAL GROSS DEBT—$b	Feb. 17	274.7	274.8	267.4	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Feb. 10	54.8	55.6	53.6	26.1
Currency in Circulation	Feb. 17	29.8	29.9	29.7	10.7
BANK DEBTS—(rb3)**					
New York City—$b	Jan.	59.9	54.0	50.0	16.1
344 Other Centers—$b	Jan.	89.6	91.5	91.4	29.0
PERSONAL INCOME—$b (cd2)	Dec.	285	286	281	102
Salaries and Wages	Dec.	193	195	189	66
Proprietors' Incomes	Dec.	51	50	52	23
Interest and Dividends	Dec.	23	23	22	10
Transfer Payments	Dec.	14	14	14	3
(INCOME FROM AGRICULTURE)	Dec.	18	17	19	10
POPULATION—m (e) (cb)	Jan.	161.1	160.9	158.4	133.8
Non-Institutional, Age 14 & Over	Jan.	115.7	115.6	114.0	101.8
Civilian Labor Force	Jan.	62.1	62.6	62.7	55.6
unemployed	Jan.	2.4	1.9	1.9	3.8
Employed	Jan.	59.7	60.7	60.8	51.8
In Agriculture	Jan.	5.3	5.4	5.8	8.0
Non-Farm	Jan.	54.4	55.3	55.0	43.2
At Work	Jan.	57.8	59.1	58.2	43.8
Weekly Hours	Jan.	41.0	41.6	41.4	42.0
Man-Hours Weekly—b	Jan.	2.37	2.46	2.41	1.82
EMPLOYEES, Non-Farm—m (1b)	Jan.	47.7	49.7	48.4	37.5
Government	Jan.	6.7	7.0	6.7	4.8
Factory	Jan.	12.7	13.1	13.6	11.7
Weekly Hours	Jan.	39.4	40.2	41.0	40.4
Hourly Wage (cents)	Jan.	180.0	179.8	174.0	77.3
Weekly Wage ($)	Jan.	70.92	71.96	71.34	21.33
PRICES—Wholesale (lb2)	Feb. 16	110.5	110.5	109.6	66.9
Retail (cd)	Nov.	208.8	210.0	210.4	116.2
COST OF LIVING (lb2)	Dec.	114.9	115.0	114.1	65.9
Food	Dec.	112.3	112.0	113.8	64.9
Clothing	Dec.	105.3	105.5	105.1	59.5
Rent	Dec.	127.6	127.3	120.7	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Dec.	13.9	14.1	14.1	4.7
Durable Goods	Dec.	4.7	5.0	5.0	1.1
Non-Durable Goods	Dec.	9.2	9.1	9.1	3.6
Dep't Store Sales (mrb)	Dec.	0.85	0.86	0.87	0.34
Consumer Credit, End Mo. (rb)	Dec.	28.9	28.3	25.8	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Dec.	21.9	21.6	24.9	14.6
Durable Goods	Dec.	9.5	9.6	12.7	7.1
Non-Durable Goods	Dec.	12.4	12.0	12.2	7.5
Shipments—$b (cd)—Total**	Dec.	24.1	24.3	24.7	8.3
Durable Goods	Dec.	11.6	11.9	12.5	4.1
Non-Durable Goods	Dec.	12.5	12.4	12.2	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—$b (cd)	Dec.	81.0	81.3	77.1	28.6
Manufacturers'	Dec.	46.7	46.9	44.2	16.4
Wholesalers'	Dec.	11.7	11.9	11.3	4.1
Retailers'	Dec.	22.6	22.4	21.6	8.1
Dept. Store Stocks (mrb)	Dec.	2.4	2.5	2.4	1.1
BUSINESS ACTIVITY—1—pc	Feb. 13	187.2	188.9	193.4	141.8
(M. W. S.)—1—np	Feb. 13	231.6	233.7	233.8	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 685)

not exceeding 3%.

* * *

EMPLOYMENT—or the lack of it—hit the headlines last month, with Census Bureau figures on unemployment, getting a good deal of attention. The Bureau released two sets of estimates on the subject, each based on a different sampling method, and the result was general confusion. The first estimate of 2.4 million out of work was succeeded by a more sobering one showing 3.1 million unemployed out of a total labor force of 62.8 million. The Bureau refused to commit itself as to which figure was more reliable although the bigger figure is closer to other estimates of unemployment.

The Labor Department also surveyed the employment picture and found that non-agricultural jobs fell by 2 million in January, a disturbingly round figure. What many failed to realize was the big part that seasonal factors played in this drop. The Federal Reserve Board, which adjusts the data for this factor, has announced that after such adjustments the decline amounted to 225,000 in the number of people with jobs.

* * *

The value of the nation's **OUTPUT OF GOODS AND SERVICES** took a $6 billion drop in the fourth quarter, to $363.5 billion, at annual rates, from $369.5 billion in the previous quarter. Inventory liquidation was primarily responsible for the decline with businessmen cutting their stocks of goods on hand at a $3.0 billion annual rate in contrast to a $3.1 billion addition to such holdings in the third quarter. Personal consumption expenditures were down only $1.0 billion in the last quarter and in this area a cut of $2.2 billion in purchases of goods was partially counterbalanced by an increase of $1.2 billion in spending for services. Expenditures for producers' durable equipment fell $0.6 billion while new construction rose $0.4 billion in value. Federal purchases of goods and services were down $0.9 billion but outlays by state and local governments were $1.1 billion higher.

* * *

CONSTRUCTION CONTRACT AWARDS were at a high level in January, relieving an otherwise drab economic picture of the year's opening month. F. W. Dodge Corporation statistics on the 37 eastern states indicate that these awards amounted to $1,151,987,000 in January,

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—Ia np (rb)	Jan.	125	127	134	93
Mining	Jan.	113	111	116	87
Durable Goods Mfr.	Jan.	140	143	154	99
Non-Durable Goods Mfr.	Jan.	112	113	17	89
CARLOADINGS—t—Total	Feb. 13	624	624	682	933
Misc. Freight	Feb. 13	334	330	372	379
Mdse. L. C. L.	Feb. 13	64	65	71	1,566
Grain	Feb. 13	44	44	39	43
ELEC. POWER Output (Kw.H.) m	Feb. 13	8,684	8,674	8,147	3,266
SOFT COAL, Prod. (st) m	Feb. 13	7.6	7.8	8.4	10.8
Cumulative from Jan. 1	Feb. 13	49.1	41.5	56.2	44.6
Stocks, End Mo.	Dec.	80.6	82.4	76.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 13	6.3	6.3	6.5	4.1
Gasoline Stocks	Feb. 13	176	172	154	86
Fuel Oil Stocks	Feb. 13	46	46	46	94
Heating Oil Stocks	Feb. 13	74	79	75	55
LUMBER, Prod.—(bd. ft.) m	Feb. 13	229	219	243	632
Stocks, End Mo. (bd. ft.) b	Dec.	9.0	8.8	8.3	7.9
STEEL INGOT PROD. (st) m	Jan.	8.0	7.9	9.9	7.0
Cumulative from Jan. 1	Jan.	8.0	111.6	9.9	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Feb. 18	150	197	268	94
Cumulative from Jan. 1	Feb. 18	1,307	1,158	2,443	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 13	216	275	217	165
Cigarettes, Domestic Sales—b	Dec.	29	30	30	17
Do., Cigars—m	Dec.	437	533	439	543
Do., Manufactured Tobacco (lbs.)m	Dec.	14	15	15	28

PRESENT POSITION AND OUTLOOK

a 7% increase over a year ago and the best January on record. Nonresidential building contracts came to $437,077,000, a 16% gain over January, 1953, residential awards at $462,482,000 had a year-to-year gain of 1% and heavy engineering contracts at $216,428,000 were up 4%.

* * *

The number of **BUSINESS FAILURES** rose 7% in January to 867, the biggest monthly toll since May, 1950, but **LIABILITIES** of these failing firms were 32% under the previous month. The decrease in liabilities resulted from a decline in failures of large firms having liabilities of $100,000 or more. The number of these which had to close their doors dwindled to 57 firms from 90 the previous month.

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Manufacturers delivered 4,944 **FREIGHT CARS** in January, an increase from the 4,456 cars shipped the previous month, according to a joint announcement by the American Railway Car Institute and the Association of American Railroads. **NEW ORDERS** for 2,953 freight cars were placed by the railroads in January, something of an improvement over the 2,159 cars ordered in December, 1953.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1953-'54 Range High	Low	1954 Feb. 12	1954 Feb. 19
300 COMBINED AVERAGE	215.5	177.2	204.0	202.4
4 Agricultural Implements	263.3	179.0	213.0	211.2
10 Aircraft ('27 Cl.—100)	465.7	330.3	465.7	461.6
7 Airlines ('27 Cl.—100)	693.9	492.6	546.8	546.8
7 Amusements	102.2	76.4	102.2	101.4
10 Automobile Accessories	289.4	213.8	243.6	241.3
10 Automobiles	49.4	39.0	40.4	40.4
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.9
3 Business Machines	404.5	311.4	404.5	393.9
2 Bus Lines ('26 Cl.—100)	240.8	170.2	236.1	236.1
6 Chemicals	396.9	337.9	376.7	369.3
3 Coal Mining	15.4	9.0	10.9	10.8
4 Communications	69.3	58.6	65.7	65.1
9 Construction	72.3	57.9	72.1	72.1
7 Containers	529.7	456.9	524.8	529.7A
9 Copper & Brass	175.4	125.3	146.1	144.7
2 Dairy Products	105.1	82.3	105.1	105.1
5 Department Stores	63.2	54.6	59.5	60.1
5 Drug & Toilet Articles	246.9	203.8	242.1	242.1
2 Finance Companies	438.7	341.8	438.7	434.7
2 Food Brands	200.4	185.0	198.4	196.5
2 Food Stores	140.9	113.0	134.2	130.2
3 Furnishings	79.2	59.6	67.4	66.1
4 Gold Mining	760.0	502.3	537.5	522.4

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Feb. 12	1954 Feb. 19
100 HIGH PRICED STOCKS	133.5	114.4	131.2	130.3
100 LOW PRICED STOCKS	260.5	203.7	239.0	236.6
4 Investment Trusts	112.7	93.1	106.3	105.3
3 Liquor ('27 Cl.—100)	967.8	811.1	908.6	891.5
11 Machinery	240.6	181.0	220.2	218.2
3 Mail Order	128.6	101.0	119.8	116.6
3 Meat Packing	101.7	78.7	89.1	86.6
10 Metals, Miscellaneous	284.5	198.4	231.2	227.1
4 Paper	498.3	394.9	498.3	498.3
24 Petroleum	463.4	376.5	452.5	448.4
22 Public Utilities	204.1	173.8	204.1	202.2
9 Radio & TV ('27 Cl.—100)	36.9	27.6	29.3	29.5
8 Railroad Equipment	64.1	49.1	56.3	55.3
20 Railroads	53.2	41.8	46.8	46.0
3 Realty	54.6	42.3	53.6	53.6
3 Shipbuilding	330.8	228.7	319.0	316.1
3 Soft Drinks	421.9	339.0	421.9	414.3
11 Steel & Iron	151.4	122.8	142.9	141.6
3 Sugar	59.8	45.9	48.7	48.7
2 Sulphur	628.8	525.5	628.8	628.8
5 Textiles	162.2	101.3	111.4	111.4
3 Tires & Rubber	94.1	70.4	92.3	91.5
5 Tobacco	105.2	82.0	82.0	82.8
2 Variety Stores	319.5	288.8	294.6	288.8
16 Unclassified ('49 Cl.—100)	125.7	97.0	110.3	111.4

A—New High for 1953-'54.

Essential Statistics

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Employed	Jan.	59.7	60.7	60.8	51.8
In Agriculture	Jan.	5.3	5.4	5.8	8.0
Non-Farm	Jan.	54.4	55.3	55.0	43.2
At Work	Jan.	57.8	59.1	58.2	43.8
Weekly Hours	Jan.	41.0	41.6	41.4	42.0
Man-Hours Weekly—b	Jan.	2.37	2.46	2.41	1.82
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Weekly Wage ($)	Jan.	70.92	71.96	71.34	21.33
PRICES—Wholesale (lb2)	Feb. 16	110.5	110.5	109.6	66.9
Retail (cd)	Nov.	208.8	210.0	210.4	116.2
COST OF LIVING (lb2)	Dec.	114.9	115.0	114.1	65.9
Food	Dec.	112.3	112.0	113.8	64.9
Clothing	Dec.	105.3	105.5	105.1	59.5
Rent	Dec.	127.6	127.3	120.7	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Dec.	13.9	14.1	14.1	4.7
Durable Goods	Dec.	4.7	5.0	5.0	1.1
Non-Durable Goods	Dec.	9.2	9.1	9.1	3.6
Dep't Store Sales (mrb)	Dec.	0.85	0.86	0.87	0.34
Consumer Credit, End Mo. (rb)	Dec.	28.9	28.3	25.8	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Dec.	21.9	21.6	24.9	14.6
Durable Goods	Dec.	9.5	9.6	12.7	7.1
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PRESENT POSITION AND OUTLOOK

(Continued from page 685)

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The Labor Department also surveyed the employment picture and found that non-agricultural jobs fell by 2 million in January, a disturbingly round figure. What many failed to realize was the big part that seasonal factors played in this drop. The Federal Reserve Board, which adjusts the data for this factor, has announced that after such adjustments the decline amounted to 225,000 in the number of people with jobs.

* * *

The value of the nation's **OUTPUT OF GOODS AND SERVICES** took a $6 billion drop in the fourth quarter, to $363.5 billion, at annual rates, from $369.5 billion in the previous quarter. Inventory liquidation was primarily responsible for the decline with businessmen cutting their stocks of goods on hand at a $3.0 billion annual rate in contrast to a $3.1 billion addition to such holdings in the third quarter. Personal consumption expenditures were down only $1.0 billion in the last quarter and in this area a cut of $2.2 billion in purchases of goods was partially counterbalanced by an increase of $1.2 billion in spending for services. Expenditures for producers' durable equipment fell $0.6 billion while new construction rose $0.4 billion in value. Federal purchases of goods and services were down $0.9 billion but outlays by state and local governments were $1.1 billion higher.

* * *

CONSTRUCTION CONTRACT AWARDS were at a high level in January, relieving an otherwise drab economic picture of the year's opening month. F. W. Dodge Corporation statistics on the 37 eastern states indicate that these awards amounted to $1,151,987,000 in January,

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Jan.	125	127	134	93
Mining	Jan.	113	111	116	87
Durable Goods Mfr.	Jan.	140	143	154	99
Non-Durable Goods Mfr.	Jan.	112	113	17	89
CARLOADINGS—t—Total	Feb. 13	624	624	682	933
Misc. Freight	Feb. 13	334	330	372	379
Mdse. L. C. L.	Feb. 13	64	65	71	1,566
Grain	Feb. 13	44	44	39	43
ELEC. POWER Output (Kw.H.) m	Feb. 13	8,684	8,674	8,147	3,266
SOFT COAL, Prod. (st) m	Feb. 13	7.6	7.8	8.4	10.8
Cumulative from Jan. 1	Feb. 13	49.1	41.5	56.2	44.6
Stocks, End Mo.	Dec.	80.6	82.4	76.7	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 13	6.3	6.3	6.5	4.1
Gasoline Stocks	Feb. 13	176	172	154	86
Fuel Oil Stocks	Feb. 13	46	46	46	94
Heating Oil Stocks	Feb. 13	74	79	75	55
LUMBER, Prod.—(bd. ft.) m	Feb. 13	229	219	243	632
Stocks, End Mo. (bd. ft.) b	Dec.	9.0	8.8	8.3	7.9
STEEL INGOT PROD. (st) m	Jan.	8.0	7.9	9.9	7.0
Cumulative from Jan. 1	Jan.	8.0	111.6	9.9	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Feb. 18	150	197	268	94
Cumulative from Jan. 1	Feb. 18	1,307	1,158	2,443	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 13	216	275	217	165
Cigarettes, Domestic Sales—b	Dec.	29	30	30	17
Do., Cigars—m	Dec.	437	533	439	543
Do., Manufactured Tobacco (lbs.)m	Dec.	14	15	15	28

PRESENT POSITION AND OUTLOOK

a 7% increase over a year ago and the best January on record. Nonresidential building contracts came to $437,077,000, a 16% gain over January, 1953, residential awards at $462,482,000 had a year-to-year gain of 1% and heavy engineering contracts at $216,428,000 were up 4%.

* * *

The number of **BUSINESS FAILURES** rose 7% in January to 867, the biggest monthly toll since May, 1950, but **LIABILITIES** of these failing firms were 32% under the previous month. The decrease in liabilities resulted from a decline in failures of large firms having liabilities of $100,000 or more. The number of these which had to close their doors dwindled to 57 firms from 90 the previous month.

* * *

Manufacturers delivered 4,944 **FREIGHT CARS** in January, an increase from the 4,456 cars shipped the previous month, according to a joint announcement by the American Railway Car Institute and the Association of American Railroads. **NEW ORDERS** for 2,953 freight cars were placed by the railroads in January, something of an improvement over the 2,159 cars ordered in December, 1953.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

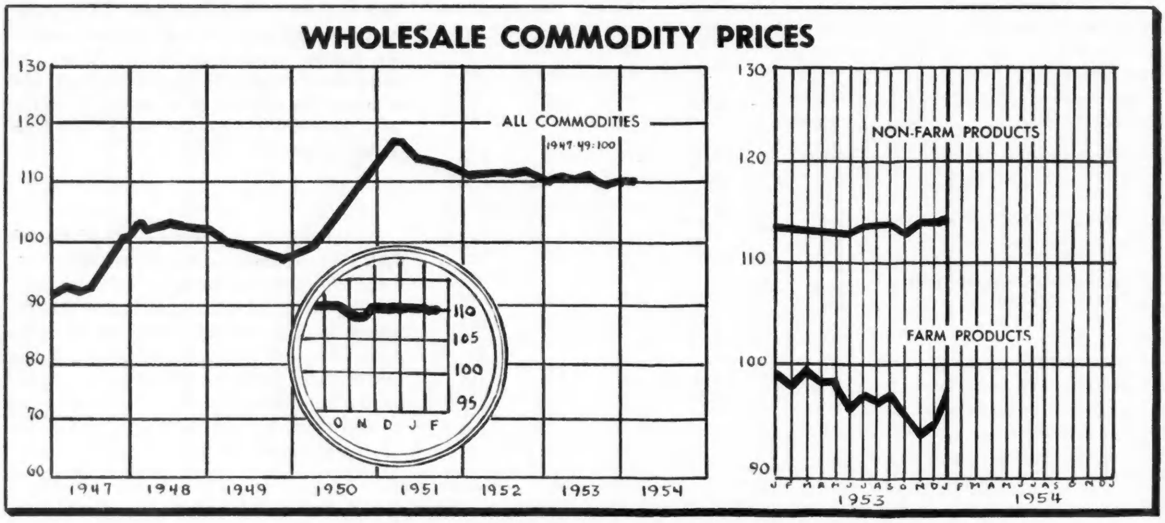
No. of Issues (1925 Cl.—100)	1953-'54 Range High	1953-'54 Range Low	1954 Feb. 12	1954 Feb. 19
300 COMBINED AVERAGE	215.5	177.2	204.0	202.4
4 Agricultural Implements	263.3	179.0	213.0	211.2
10 Aircraft ('27 Cl.—100)	465.7	330.3	465.7	461.6
7 Airlines ('27 Cl.—100)	693.9	492.6	546.8	546.8
7 Amusements	102.2	76.4	102.2	101.4
10 Automobile Accessories	289.4	213.8	243.6	241.3
10 Automobiles	49.4	39.0	40.4	40.4
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.9
3 Business Machines	404.5	311.4	404.5	393.9
2 Bus Lines ('26 Cl.—100)	240.8	170.2	236.1	236.1
6 Chemicals	396.9	337.9	376.7	369.3
3 Coal Mining	15.4	9.0	10.9	10.8
4 Communications	69.3	58.6	65.7	65.1
9 Construction	72.3	57.9	72.1	72.1
7 Containers	529.7	456.9	524.8	529.7A
9 Copper & Brass	175.4	125.3	146.1	144.7
2 Dairy Products	105.1	82.3	105.1	105.1
5 Department Stores	63.2	54.6	59.5	60.1
5 Drug & Toilet Articles	246.9	203.8	242.1	242.1
2 Finance Companies	438.7	341.8	438.7	434.7
2 Food Brands	200.4	185.0	198.4	196.5
2 Food Stores	140.9	113.0	134.2	130.2
3 Furnishings	79.2	59.6	67.4	66.1
4 Gold Mining	760.0	502.3	537.5	522.4

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Feb. 12	1954 Feb. 19
100 HIGH PRICED STOCKS	133.5	114.4	131.2	130.3
100 LOW PRICED STOCKS	260.5	203.7	239.0	236.6
4 Investment Trusts	112.7	93.1	106.3	105.3
3 Liquor ('27 Cl.—100)	967.8	811.1	908.6	891.5
11 Machinery	240.6	181.0	220.2	218.2
3 Mail Order	128.6	101.0	119.8	116.6
3 Meat Packing	101.7	78.7	89.1	86.6
10 Metals, Miscellaneous	284.5	198.4	231.2	227.1
4 Paper	498.3	394.9	498.3	498.3
24 Petroleum	463.4	376.5	452.5	448.4
22 Public Utilities	204.1	173.8	204.1	202.2
8 Radio & TV ('27 Cl.—100)	36.9	27.6	29.3	29.5
8 Railroad Equipment	64.1	49.1	56.3	55.3
20 Railroads	53.2	41.8	46.8	46.0
3 Realty	54.6	42.3	53.6	53.6
3 Shipbuilding	330.8	228.7	319.0	316.1
3 Soft Drinks	421.9	339.0	421.9	414.3
11 Steel & Iron	151.4	122.8	142.9	141.6
3 Sugar	59.8	45.9	48.7	48.7
2 Sulphur	628.8	525.5	628.8	628.8
5 Textiles	162.2	101.3	111.4	111.4
3 Tires & Rubber	94.1	70.4	92.3	91.5
5 Tobacco	105.2	82.0	82.0	82.8
2 Variety Stores	319.5	288.8	294.6	288.8
16 Unclassified ('49 Cl.—100)	125.7	97.0	110.3	111.4

A—New High for 1953-'54.

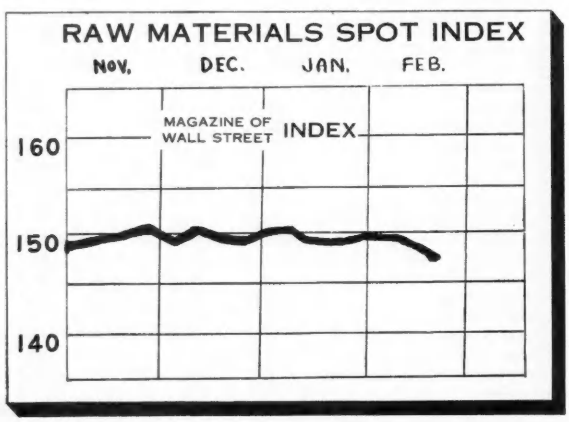
Trend of Commodities

Mixed trends have again been the rule in recent futures markets, although the Dow-Jones Commodity Futures Index gained 4.26 points in the two weeks ending February 19 to close at 174.45. This advance was mainly the result of a sharp run-up in prices of coffee and cocoa while changes in the balance of the list were moderate. Wheat prices have improved in the two weeks under review with the May option gaining 3 cents to close at $2.16. Unfavorable weather continued to be a factor and the record placements in the loan-estimated at close to 500 million bushels, or more than 40% of the 1953 crop—have removed a good portion of the available grain from normal supply channels. May corn lost ¾ cents in the fortnight ending February 19 to close at 152½. Liberal marketings of old corn held by the Commodity Credit Corporation have been reported while a 10% reduction in the number of hogs on the farm as of January 1, points to lower consumption from this source. It is estimated that the Argentine crop will be twice as big as last year and this will intensify export competition. Hide futures have been weak for some time and in the latest two weeks the April option lost another 52 points to close at 14.33 cents. This compares with a price of 16 cents less than four months ago. Reasons for the price drop are the heavy cattle slaughter in 1953 and the fact that, despite this, the number of cattle on the farm on January 1 reached a new high of 94.7 million, up 1.1 million from a year earlier. Cotton prices have advanced a little in the two weeks ending February 19 with the July option gaining 18 points to close at 34.30 cents. The situation in cotton has not changed much, with some 7.0 million bales expected to go into the loan. Mill demand has been slow although retail sales have been holding well.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

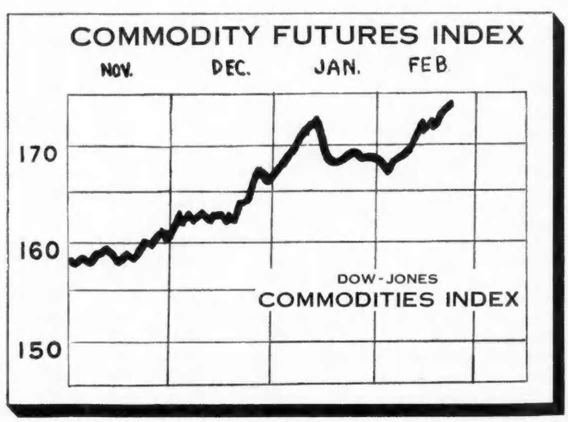
	Date Feb. 19	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	87.7	88.4	87.2	89.4	53.0
9 Foodstuffs	95.1	97.5	92.4	85.5	46.1
3 Raw Industrial	81.0	81.5	83.6	92.0	58.3
5 Metals	79.9	82.7	89.6	109.3	54.6
4 Textiles	87.6	88.2	87.1	89.7	56.3
4 Fats & Oils	74.9	73.8	68.8	57.3	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	170.1	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Keeping Abreast of Industrial and Company News

According to an **American Can Co.**, survey, 49.3 million dogs and cats in the United States last year ate more than 1.5 billion cans of specially prepared animal foods. This, it is said, is twice the consumption of five years ago and puts the production of pet foods into the "big business" category, creating, at the same time, a substantial volume of business for the can manufacturers.

A new sulphur mine at Nash dome, 35 miles southwest of Houston, has been brought into production by **Freeport Sulphur Co.** This is one of four new sulphur projects the company has undertaken in the last several years and is the third to go into operation since November, 1952. The other three projects are located in Louisiana. The new Texas mine is in addition to the company's deposit at the Hoskins Mound in the same area which it has been mining since 1923. The Nash dome deposit is on land held in trust for the Kentucky Female Orphan School of Midway, Ky., which will be the recipient of royalties on the sulphur mined.

A new product, non-combustible Stria Acoustical Tile, is being introduced by **Owens-Corning Fiberglas Corp.** Stria tile, available in 12 x 12-inch and 12 x 24-inch sizes, is said to have a noise reduction coefficient up to 80%. The material used in its manufacture is fine fibers of glass compressed into boards containing countless tiny air cells. Sound waves are trapped in the highly porous surface. Like other Fiberglas sound control products, Stria is dimensionally stable, firesafe, will not rot, absorb or give off odors and offers no sustenance to bacteria, termites or vermin. The tile may be spray painted as many as eight times with a non-bridging water-base paint without affecting its noise reduction efficiency.

In its report of operations for 1953, **R. J. Reynolds Tobacco Co.**, intimates that it is giving thought to the production of a filter-tip cigarette. The company notes that sales of this type of product have increased from 1.25% of total cigarette sales in the U. S. in 1952 to 3.25% last year. Reynolds has told stockholders that if and when it decides to bring out a filter-tip cigarette it wants it to be the best possible product.

After a year of cooperative work with five railroads and nine manufacturing companies University of Utah physicists have recently made public designs for an atomic railroad locomotive. It is said the locomotive, powered by a reactor of the water-boiler type, would use 11 pounds of uranium annually and be rated at 7,000-horsepower. Construction costs for an initial nuclear-powered locomotive is estimated at $1.2 million. Economic operation of such a unit would hinge on the price of uranium, but it is believed that it could compete with conventional diesels if uranium cost was less than $11,000 per pound. **The Babcock & Wilcox Co.** announces that it already has the reactor for the proposed atomic powered locomotive on its designing boards. The company believes other uses will be found for the reactor, but it anticipates many problems before an efficient plant is available.

The United States tire manufacturers in 1953 set an all-time record by producing 81,454,605 passenger car tires. This output surpassed 1950, the previous record year, by 3 million, and topped 1952 production by a little more than 7 million. Passenger car tire inventories at the start of 1954, were equal to about 9 weeks' supply. During 1953 the tire makers eased up on producing truck and bus tires, total output amounting to 14,695,000 as compared with previous year's production of 16,069,975. When 1954 opened, inventories represented about two months' supply.

Radio Corporation of America is producing an electric "traffic cop" to protect home UHF TV receivers from the danger of lightning striking near the antenna. Hardly larger than a light socket, the little gadget is especially designed for use with the ultra-high frequency reception units. It works by safely diverting to the ground any electrical surges caused by lightning. Devices to protect very-high-frequency TV receivers—the sets found in most homes—have been available as protection from lightning and static charges for several years.

A new eye infection drug is now being marketed by **Chas. Pfizer & Co.** The first drug combining the broad-spectrum antibiotic terramycin with theadrenal cortical hormone, hydrocortisone (compound F) has been developed by Pfizer Laboratories, Brooklyn, N. Y. is now available for treatment of a wide variety of eye infections. Named Cortril with terramycin, the new drug is reported being used for control of inflammations and inflammatory diseases such as pink eye, a contagious conjunctivitis. The hydrocortisone acts immediately to relieve the inflammatory process while the terramycin strikes at the infecting organisms and prevents such infections in cases of injury to the eye. The new form of the product for ocular use, called an ophthalmic suspension is said to combine the advantages of an eye ointment with the rapid action of eye drops.

Packard Motor Car Co. has taken the first step in a "multi-million dollar" plant modernization program. The company is moving its manufacture of engines, automatic transmissions and axles from its main Detroit plant to a new single-story Utica, Michigan building. The new operation will take up two-thirds of floor space of the Utica factory, ori-

ginally constructed for the company's J-47 jet engine contract, which was cut back about six months ago. The transfer of operations represents about a third of the modernization program the company envisions. All of the 1,000 "automatic" type of machine tools will be in place by next September, in time for Packard's 1955 models, with about 40% already in place. These machines are of the latest type designed to make the company more competitive.

Southern Pacific Co. will expand its truck-on-flatcar, or "piggy-back" operations. Coordinated with similar operations inaugurated by the railroad between Houston and Louisiana last May, the new service will provide second morning delivery of merchandise shipments between Dallas and Lake Charles, New Iberia and other Louisiana points. It will also establish overnight merchandise delivery service between other major centers. The extended service will combine advantages of rail transportation and highway truck runs.

Preliminary plans for a new plant to manufacture neoprene synthetic rubber at Montague, Mich., was announced by the **E. I. Du Pont de Nemours and Company.** A site of about 1,000 acres has ibeen optioned there. It adjoins the site on which **Hooker Electrochemical Company** is now building a chlorine plant and another location on which **Union Carbide and Carbon Corporation** will build. Du Pont and Union Carbide obtained the options from Hooker, who had previously optioned the land in accordance with a long-range development program. The Hooker and Union Carbide plants will supply anhydrous hydrogen chloride and acetylene to Du Pont for neoprene manufacture. The company is conducting engineering and ecnomic studies which will require several months for completion. Tentatively, it expects to be ready to start construction late in 1954 and get it into partial opera-ion by early 1956. Du Pont's output of neoprene now comes from its Louisville, Ky., plant, where an expansion project is currently under way. Recent additions to these facilities have proved adequate for existing needs, and the present expansion will meet the growing demand for neoprene until the new plant is completed. Hooker is completing a chlorine plant and will manufacture anhydrous hydrogen chloride for Du Pont, delivering it by pipeline. The contemplated plant of Union Carbide will generate acetylene, the other major raw material for neoprene, and pipe it into the Du Pont plant. The plant areas is over a huge deposit of salt from which the chlorine will be made. The existence of this deposit, availability of labor, ample supplies of power and good water, and proximity to markets are all factors which led to the selection of the Montague site.

Spencer Chemical Co's new $14 million ammonia plant, the first to use controlled oxidation of natural gas, was officially opened in Vicksburg, Miss. The simple plant design and the compact layout, plus the extensive use made of automatic controls, has reduced the operating force to a fraction of the size required for a conventional plant of similar capacity. The production, involves the "marriage of water, natural gas and air to produce anhydrous (dry) ammonia." The new works, situated on the banks of the Mississippi in the Bayou country, also will produce nitric acid, ammonium nitrate solutions and Spensol (a high-nitrogen-content solution used as a source of nitrogen in mixed fertilizer). The products of the plant will go to manufacture plastics, refrigerants, television parts and stainless steel products.

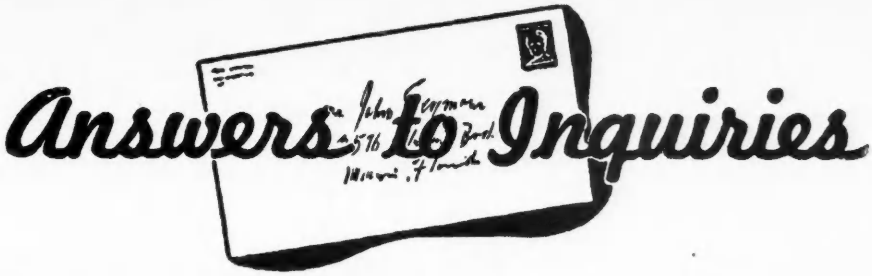
Pittsburgh Coke & Chemical Co., acquired a 150 acre site at Spartanburg, S. C., and plans immediate construction of a building for its fine chemical division. The division manufactures a line of vat dyestuffs for the textile industry at its basic manufacturing plant in Pittsburgh. At Spartanburg a $100,000 laboratory, office and warehouse will be constructed and the company will establish southern headquarters an dsales offices there.

Philadelphia Electric Co. started work on a $3 million maintenance shop in South Philadelphia. The utility will begin moving in equipment and personnel in about 10 months, and the project is scheduled for completion by the spring of 1955. The new one-story building, erected opposite the company's Southwark generating plant, will provide added facilities for filling the growing power requirements of Greater Philadelphia and will centralize repair facilities now scattered at various locations in the city.

Pacific Gas & Electric Co. announced a new major water power project, tied in with its Pit River development in Northern California. Under a license application filed with the Federal Power Commission, it would harness McCloud River and Squaw Valley Creek at a cost of $89 million. The project will involve the two-stage construction of eight dams, five tunnels totaling 17½ miles in length and two powerhouses, to generate 232,000 kilowatts. It also will make use of McCloud River and Squaw Valley Creek in the operation of two other proposed powerhouses. The first stage will be finished four years after construction begins. The second will be undertaken when economic conditions warrant.

The **Mengel Co.** launched a $700,000 expansion program designed to increase and improve its furniture and door production. The work is scheduled for completion about August 1, 1954. One result will be completion of the integration of Mengel's furniture factory in Louisville, Ky., and an expansion of facilities there by 20% to 25%. When completed, all movement of furniture will be conveyorized from case assembly through finishing operation to new warehouse and loading facilities. Door manufacture will be shifted to the Laurel, Miss., plant and the former door plant in Louisville will be utilized to make plywood for furniture.

A low-cost bookkeeping machine designed for the small businessman is being introduced by **The National Cash Register Co.** This new product, called the 158, is expected to prove an important contribution to the current trend toward mechanization of smaller offices, and can be used for special applications by larger concerns. Simplicity of operation and many automatic features are predominant in the machine's design, permitting even an inexperienced person to quickly learn its operation. Accounts receivable, accounts payable, payrolls, stock records, sales analyses, expense records, and general ledgers can all be handled on the 158. In addition, simply by moving a lever the unit can be converted into a two-total adding and subtracting machine.



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Universal Pictures Company

"Please submit recent data on Universal Pictures Company indicating earnings, and dividends."

G. S., Milwaukee, Wisconsin

Consolidated net earnings of Universal Pictures Company Inc. for the fiscal year ended October 31, 1953 was $2,616,356 after provision of $3,863,000 for Federal income and excess profit taxes and after provision of $500,000 for contingent liabilities. After deducting dividends on the preferred stock, such consolidated net earnings amounted to $2.35 per share on the 1,010,411 shares of common stock outstanding on October 31, 1953.

For the preceding fiscal year, consolidated net earnings were $2,307,701 after provision of $4,309,924 after Federal income and excess profit taxes and after provision of $500,000 for contingent liabilities. After deducting dividends on the preferred stock, these earnings were equivalent to $2.15 per share on the 961,698 shares of common stock outstanding on November 1, 1952.

Film rentals and sales for the fiscal year 1953, were $70,490,254 as compared with $64,128,719 for the previous fiscal year. It continues to be the practice of the company to reflect in its accounts the operating results of subsidiaries in foreign countries having exchange restrictions only to the extent that net earnings resulting therefrom have been realized in U. S. dollars, regardless of the period or periods in which such revenue may have accrued.

During the calendar year 1953 two semi-annual dividends of 50 cents per share each and one extra dividend of 25 cents were paid on the common stock. This makes a total of $1.25 a share in 1953 against $1.00 in 1952.

Through January 27, 1954, holders of 66,971 common shares of Universal Pictures had accepted offer by Decca Records Inc. to acquire 72,921 shares of company through a share exchange. Decca announced that all future tenders made under offer would be accepted on a first-come, first-served basis and offer would expire February 8, unless terminated earlier by receipt of tenders for full number of shares sought.

J. I. Case Company

"I have been told that net income of J. I. Case Company declined sharply in 1953 and would appreciate your explaining the reasons for this decline. Also would like to know the financial position of the company and any new developments of the company."

C. A., Phoenix, Arizona

Net income of J. I. Case Company in its fiscal year which ended October 31, 1953 was $780,565. This was .70% income on sales of $111,470,611, equal to 6 cents per share.

Sales in the previous year were $153,542,484 on which earnings of $7,049,267 were shown, equal to $2.83 per share.

The decrease in sales volume was due principally to—(1) the cautious attitude adopted by many retail dealers in their purchases of farm machinery in order to control their inventories; (2) the postponement of the purchase, by the farmer, of much needed equipment because of uncertainties and adjustments in his economic position; (3) crops which were seriously affected by droughts and rust in large sections of the country; and (4) drastic restrictions imposed by foreign countries which had a depressing effect on the company's sales in the export market.

Net current assets on October 31, 1953, amounted to $88,280,237 compared with $68,571,620 at October 31, 1952, an increase of $19,708,617. Current assets on October 31, 1953 were equal to 4.7 times current liabilities compared with 2.5 times the previous year.

Customers' notes and accounts receivables increased during the year from $37,693,159 to $43,117,210 which, for the most part, represents credit granted to dealers under standard contract terms.

Inventories decreased $7,844,597 during the year. At October 31, 1953, total inventories amounted to $62,283,397 compared with $70,127,994 on October 31, 1952. Substantially all inventories are valued at cost determined on the basis of last-in first-out. This policy was adopted by the company as of November 1, 1950.

Expenditures during the 1953 fiscal year for capital improvements amounted to $4,484,452, and consisted principally of manufacturing equipment for the production of the new diesel tractor, replacement and improvement in other manufacturing machinery, construction of new sales branches at Dallas, Texas; Toronto, Ontario; and a sub-branch at Edmonton, Alberta.

During the latter part of August, J. I. Case introduced a new Case model "500" diesel tractor

with power steering, which has been available in limited quantities since that time. Production of this model is being increased as machinery and tooling become available. During the Fall months other new machines were added to the line and placed in the field in limited quantities. Among important new machines are a line of wide one-way disk plows for the Great Plains area, lister grain drills, cotton strippers, wheel-type harrows, front end loaders for Case industrial tractors, and also many improved or new mounted and semi-mounted implements.

Dividends in 1953 totalled $2.00 a share against $2.50 in 1952.

Celotex Corporation

"Please furnish recent earnings of Celotex Corporation and also indicate prospects for the company over coming months." L. N., Lyndhurst, N. J.

The Celotex Corporation reported the highest annual sales in its history in the year ended October 31, 1953. Net sales totalled $59,980,026, compared with $52,032,189 in the preceding year when a strike in the company's main plant adversely affected production, sales and earnings.

Net earnings after all charges and income tax provisions were $3,024,844, as against $1,612,043 the year before. After preferred dividend requirements, the latest year's earnings were equal to $3.05 a share on 905,472 shares of common stock outstanding, as against $1.49 a share on the same number of shares in the preceding year.

The company is of the opinion that the 1954 level of new building construction and repair and remodel activity will continue at a rate which will provide a sustained market for its products. Also an expected increased use and consequent larger market for acoustical materials and greater as well as more diversified demand for its products developed to serve the non-building field is a hopeful factor. The company has laid increased emphasis in the past year on improved techniques of processing basic raw materials for better efficiency and styling of acoustical and structural fibreboard products, fields in which the company is a leader. Celotex pioneered the first commercial use of bagasse—the long tough fibre from sugar cane—and has for many years continuously used it as the most satisfactory raw material in the manufacture of fibreboard products for building and industrial uses.

Celotex Ltd., English subsidiary, showed a gain in earnings for the year ended October 31, reporting net income of $191.409, converted at the rate of $2.80 to the pound sterling, compared with $123,185 in the preceding year on the same basis of conversion.

The South Coast Corporation, of which Celotex owns 205,328 shares representing approximately 48% of outstanding common stock, reported net income of $412,452 after taxes, equal to 97 cents a common share, for its fiscal year ended July 31, 1953. The year before, South Coast Corporation had earnings of $378,193, equal to 89 cents a common share.

Dividends in 1953 totalled $1.50 per share, the same as paid in 1952.

Detroit Edison Company

"Please report highlights of 1953 operations of Detroit Edison Company with emphasis on new developments, and prospects." N. O., Sacramento, California

Detroit Edison Company reached its 50th birthday in 1953 and highlights of the year showed the company's planning and construction activities aimed at keeping well ahead of steadily increasing demand for electric power in southeastern Michigan. The company added 300,000 KW, or about 400,000 HP, which increased its generating capability 16%. — Broke ground for a new power plant — the sixth for the company —located at the junction of the Rouge with Detroit River—ordered the world's largest steam turbine generators—two of them—of 350,000 HP each—which will be installed in new River Rouge plant.—Completed a two link international electric interconnection between the Edison System and that of the Ontario-Hydro Power Commission of Canada, thus adding strength to both.—Acquired a Lake Erie shore tract at Monroe, for eventual use as the site of another new power plant. —Continued a vigorous program of research aimed at the use of atomic energy in the generation of electric power.

In 1953 the company gained some 38,000 domestic customers as compared with a gain of about 25,000 in 1952. It now serves a total of over three and three quarter million people—more than half the population of Michigan.

Looking forward into 1954, the company outlines a $73 million construction program which is of particular significance in the Southeastern Michigan industrial area at this time. Planned additions are part of an overall program that goes far into the future.

Gross revenues for 1953 were $192,570,534, an increase of $9,-151,174 over those of 1952. Net earnings for 1953 were $20,520,-000 or $1.96 per share on the average shares outstanding during the year as compared with $1.77 in 1952. A regular quarterly dividend of 35 cents per share was declared payable April 15, 1953. In July, the rate was increased to 40 cents, and this has been maintained. Dividends declared during the year totalled $1.55 as compared with $1.40 per share in 1952.

Management states that "there are many indications of a continued large increase in Detroit Edison's system load for the next few years and that the company looks forward to the necessity for expanding facilities for many years to come at a rate comparable to the growth experienced in the past."

Bigelow Sanford Carpet Company

"You have stated in your publication that the carpet industry experienced a slump in the past year or two. Please furnish recent earnings of Bigelow Sanford Carpet Company as I am interested to learn whether this company showed an improvement over 1952 results." S. R., New Orleans, La.

Bigelow Sanford Carpet Company for the year ended December 31, 1953 reported net sales of $73,179,000. Sales for the preceding year amounted to $67,273,000. Net profit for 1953 was $3,471,-000, after provision of $300,000 for Federal income taxes. Operations for 1952 resulted in a net loss of $1,252,000. The provision for Federal income taxes is after reduction of $1,900,000 representing the effect of applying against 1953 profits all of prior year's loss as provided by Federal income tax laws. Profits for 1953, after preferred dividends, equalled $3.32 per share of common stock outstanding.

The market for woven carpet weakened after a strong first quarter in 1953 and present selling prices are unsatisfactory in relation to cost, according to the president of the company. Bigelow's 1953 sales were substan-

(*Continued on page* 704)

UNION CARBIDE

AND CARBON CORPORATION

UCC

*1953 Annual Report Summary**

CONDENSED INCOME STATEMENT

	1953	*1952*
Sales	$1,025,833,041	$956,931,021
Total Income	1,048,157,344	978,505,458
Cost of Goods Sold, Selling, General, and Administrative Expenses	733,528,658	690,299,054
Depreciation and Amortization	75,351,702	54,290,710
Interest on Promissory Notes	11,517,083	6,607,291
Net Income Before Income and Excess Profits Taxes	227,759,901	227,308,403
Provision for Income and Excess Profits Taxes and Renegotiation	124,976,459	128,987,704
Net Income	102,783,442	98,320,699
Net Income per Share	3.55	3.41
Dividends Paid	72,235,535	72,015,860

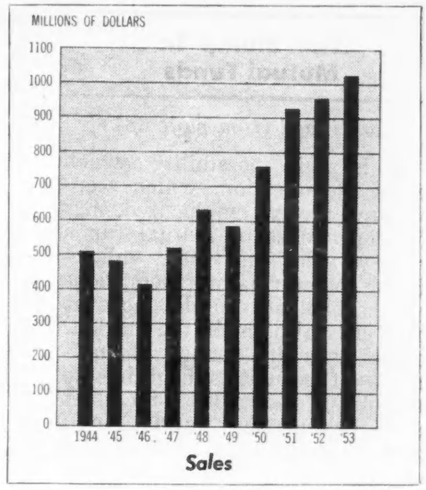
CONDENSED BALANCE SHEET

Assets

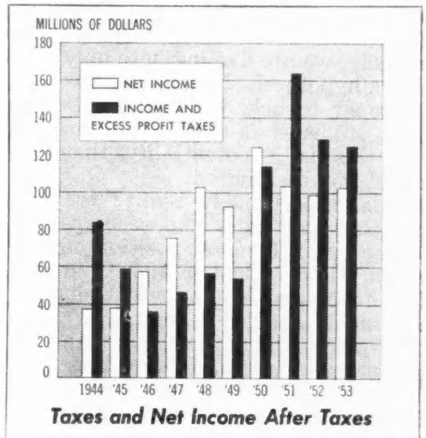
Total Current Assets	$510,399,171	$472,762,802
Fixed Assets After Accumulated Depreciation and Amortization	658,392,229	574,498,412
Investments in Affiliates and Foreign Subsidiaries	15,699,522	19,744,817
Deferred Charges	6,101,408	5,172,117
Patents, Trade-Marks, and Goodwill	1	1
	$1,190,592,331	$1,072,178,149

Liabilities

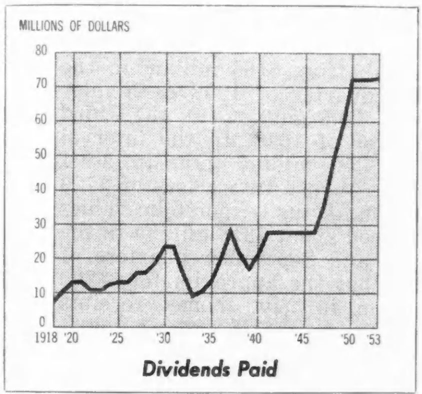
Total Current Liabilities	$207,130,929	$210,968,881
2.70% Promissory Notes	130,000,000	140,000,000
3.75% Promissory Notes	200,000,000	100,000,000
Reserve for Contingencies	6,381,098	6,381,098
Capital Stock—		
28,320,919 shares (28,274,744 shares in 1952)	210,173,350	208,534,466
631,875 shares (531,600 shares in 1952) held by the Corporation as collateral under the Stock Purchase Plan for Employees	26,264,110	18,786,482
28,952,794 shares (28,806,344 shares in 1952)	236,437,460	227,320,948
Less present amount of Agreements under the Stock Purchase Plan for Employees	25,966,255	18,553,970
	210,471,205	208,766,978
Earned Surplus	436,609,099	406,061,192
	$1,190,592,331	$1,072,178,149



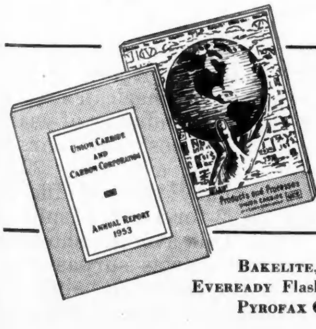
Sales



Taxes and Net Income After Taxes



Dividends Paid



*Copies of the complete 1953 Annual Report of Union Carbide and Carbon Corporation will be gladly furnished on request. Included with the report is an illustrated booklet that describes the Corporation's products—Alloys, Carbons, Gases, Chemicals, and Plastics—and how they are produced from nature's raw materials. For copies of the report and booklet, please write to the Secretary, Union Carbide and Carbon Corporation, 30 East 42nd Street, New York 17, N. Y.

UCC's Trade-marked Products include

BAKELITE, KRENE, and VINYLITE Plastics • DYNEL Textile Fibers • PREST-O-LITE Acetylene • LINDE Oxygen
EVEREADY Flashlights and Batteries • UNION Carbide • NATIONAL Carbons • ACHESON Electrodes • PRESTONE Anti-Freeze
PYROFAX Gas • ELECTROMET Alloys and Metals • HAYNES STELLITE Alloys • SYNTHETIC ORGANIC CHEMICALS

The Slump In Mutual Funds

(*Continued from page* 681)

It is this possibility which raises the question, which sceptics have always emphasized, that the dependence of mutual funds on new sales and their vulnerability to the rate of redemptions by shareholders might not, at some critical point in the market, compel an undue amount of liquidation of securities held in the portfolios, forcing down the asset value behind the mutual fund shares. This, in turn, could stimulate a further increase in redemptions. However, it would take a very deep decline to bring about such a chain of events and, admittedly, we are dealing here only with a hypothesis. Nevertheless, it is proper to acknowledge, as do some students of the situation, that this is a potentiality that should not be ignored.

It is important to realize the part that new sales and redemptions play in the asset position of mutual funds. During 1951 and 1952, for example, the increase in new money (after redemptions) took place simultaneously with the increase in portfolio values. Sales in the fourth quarter of 1952 reached a peak of about $210 million, however, and dropped to about $150 million in the third quarter of 1953, new money receipts falling off, during this period, from $165 million in the final quarter of 1952 to slightly over $100 million in the third quarter of 1953. In the interval the $350 million gain in asset values turned into a loss of $120 million. Actually, portfolio values dropped about $318 million in the June and September quarters of 1953 but the approximately $200 million in new money receipts held the total fall in asset values to about $120 million. These figures are cited merely as an illustration of the relationship between sales, redemptions and asset values. Obviously, these are fortuitous factors that do not concern investors making their investments independently, but they do have a vital bearing on the position of mutual funds.

We have dwelt on the less satisfactory features of mutual funds for we believe it is wise for the public to have the full facts in their possession. This does not mean that mutual funds cannot perform a useful function for small investors but they should not expect from these funds immunity to hazards normal to the investment field.

For Profit & Income

(*Continued from page* 683)

dend. United's wide margin of coverage suggets not only dividend security, but a bigger potential for eventual increase. The stock is at 39½, yielding slightly over 5%.

Coca-Cola

Sales of this company, leader in the soft-drink field by a wide margin, continue in a persistent upward trend, little affected by variations in general business conditions. They have roughly doubled since 1946. Substantial further gains are no doubt ahead, both in the foreign and domestic markets. They will be boosted by increase in the number of children of soft-drink consuming age from here through 1960. Earnings reached an all-time peak of $8.76 a share in 1949, falling to a low of $6.11 in 1951, as a result of the company policy of rigidly holding the line on selling prices, while costs rose; and also of higher taxes. Despite a further shrinkage in margin, although it remains much wider than in most lines of business—it is around 27%, against about 31% in 1949—higher sales lifted 1952 net to $6.38 a share, and 1953 profit to an estimated $6.60 to $6.70 a share. Finances are strong. Dividends ($4 regular) have totalled $5 a year since 1947, with the exception of $6 in 1949. With costs flattening out and with moderate aid from EPT lapse, 1954 earnings might approach $7.25 a share. Without a fresh inflation or change in selling prices, net might well reach $12 a share, and dividends $8 to $9, in five years or so. The company's selling prices are out of date. On the retail end, 10-cent "cokes", against the old nickel "coke", are becoming fairly common, especially in vending machines. A price boost, any time the management elects, could add a large increment to earning power. Because of quality and the long-term growth factor, the stock never looks cheap on earnings and dividends. At present price of 120, against 1951 low of 100½ and 1946 high of 200, the risk factor shapes up as well below average, the potential for appreciation, both over the next year or two and over the long term, well above average.

Boom

There is no doubt about a boom in air conditioning, but few companies will make much money out of it. Competition is intense. On the window-type units profit margins are already very narrow. Long-run profit potentials are best for full home air conditioning equipment, but the market is largely limited to new homes, since in-wall air ducts are required. For many makers (General Electric, Chrysler, Worthington and others) air-conditioning can never provide more than a small part of total sales. If you want to speculate on a stock with a maximum air-conditioning "content", Carrier Corp. is the logical choice; and not without considerable risk unless it is bought on sizeable reactions. It is now at 53½ in a 1953-1954 range of 54⅜-34½, on earnings around $4.25 a share, paying $2 in dividends.

Strong

Some stocks which are performing well and which are reasonably priced on probable 1954 earnings and dividends, are Cutler-Hammer, Square D, Halliburton Oil Well Cementing, Black & Decker, and Cluett Peabody.

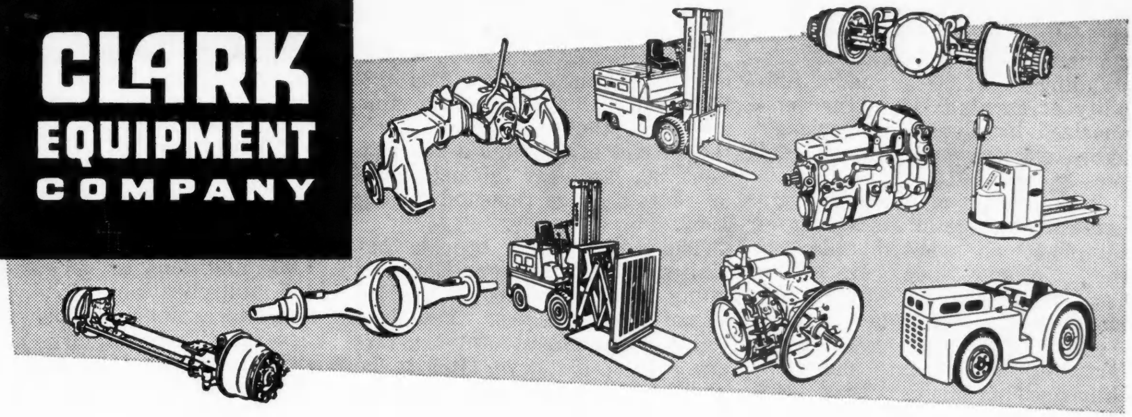
The Rental Equipment Group

(*Continued from page* 677)

Most of General American's activities in the manufacturing field are postwar developments. They are expected to prove increasingly important with the passing of each year. Meanwhile, it looks upon car leasing as its basic business, with growth potentials as new products, particularly in the petroleum and chemical industries, create an increasing demand for tank and other types of cars. Stability of income has featured General American's earnings record for a number of years, with net in the post war years to the end of 1952 averaging $2.90 a share annually, after giving effect to the 2-for-1 stock split in July, 1953. This average showing, it is estimated, was surpassed in 1953, net for the year being cal-

(*Please turn to page* 696)

CLARK EQUIPMENT COMPANY



condensed financial report

DECEMBER 31, 1953

The Company has mailed to all shareholders as of February 15, 1954, a preliminary report containing the financial statements for the year ended December 31, 1953, certified by the company's independent public accountants, Price Waterhouse & Co. The financial report and operating particulars presented here in condensed form have been prepared by the company from the more detailed certified financial statements. Copies of the preliminary report to shareholders are available upon request sent to the Secretary at the home office of the company at Buchanan, Michigan.

CLARK EQUIPMENT COMPANY

[signature] *President*

SALES, INCOME, AND OTHER PARTICULARS FOR THE CALENDAR YEARS 1953 AND 1952

	1953	1952
SALES, before discounts	$122,265,498	$131,814,889
Income before federal taxes	$ 12,677,230	$ 17,254,246
Provision for federal income and excess profits taxes	7,500,000	11,750,000
NET INCOME for the year	$ 5,177,230	$ 5,504,246
DIVIDENDS PAID—		
In cash—Common stock—$3.00 and $3.50 per share in respective years	$ 3,261,631	$ 2,314,484
Preferred stock—$5.00 per share	89,630	89,630
In common stock—50% stock dividend to common shareholders	—	10,588,258
TOTAL DIVIDENDS	$ 3,351,261	$ 12,992,372
EARNINGS—per share of common stock outstanding (after dividends paid to preferred shareholders)	$4.55	$5.46

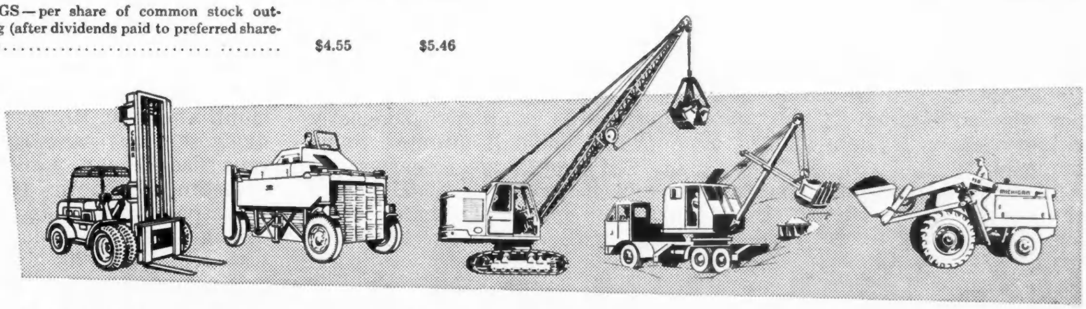
BALANCE SHEET • DECEMBER 31, 1953

ASSETS

CURRENT ASSETS:		
Cash	$12,609,366	
Accounts receivable	9,915,463	
Inventories—at lower of cost or market	21,904,977	
Prepaid expenses	225,167	$44,654,973
INVESTMENTS, ETC.		471,414
LAND, BUILDINGS, MACHINERY, ETC.	$31,823,260	
Less—Depreciation and amortization	13,595,968	18,227,292
		$63,353,679

LIABILITIES

CURRENT LIABILITIES		$11,282,807
3¼% NOTE PAYABLE (due in annual installments of $750,000 from 1955 to 1965, inclusive, and balance on August 1, 1966)		10,500,000
CAPITAL STOCK AND RETAINED EARNINGS—		
Preferred 5% cumulative—par value $100 per share (17,923 shares)	$ 1,792,300	
Common—par value $20 per share (1,136,505 shares)	22,730,100	
Capital in excess of par value of shares	8,043,770	
Earnings retained and used in the business	9,189,302	
	$41,755,472	
Less—cost of 17,244 common shares held in treasury	184,600	41,570,872
		$63,353,679



CLARK EQUIPMENT COMPANY • BUCHANAN • Battle Creek, Benton Harbor and Jackson, Michigan

The Rental Equipment Group

(*Continued from page* 694)

culated at close to $3.35 a share, against current dividend requirements on the shares now outstanding of $2.00 annually. Stability of earnings is further emphasized by General American's unbroken dividend record that goes back to 1919.

Perhaps one of the first companies to engage in the leasing of equipment on a broad scale was the United Shoe Machinery Corp.'s predecessor which came into existence somewhere during the middle 18th century, manufacturing and leasing shoe machinery. This business was eventually built to world-wide scope, manufacturing more than 300 types of shoe machinery. This business is rounded out by the production of shoe accessories ranging from heels, eyelets, nails, brushes on through to the lowly shoe lace.

Although United Shoe offers many types of machines for sale outright, most of its equipment is leased, rentals being based on the number of shoes processed on each machine and the type of operation performed. Under this method of operating, the company established marked stability of earning power and has paid dividends on its common stock at varying rates, but never less than $2.00 a share annually, since 1906, with holders of the issue receiving sizeable stock dividends in earlier years up to 1927. Back in 1947, United Shoe came under attack by the Federal government and it was only in February, a year ago, that the U.S. District Court ruled it to be violating the Sherman anti-trust act by adhering to certain practices. These, it was ordered be changed or modified. The company is making an appeal to the U.S. Supreme Court which has agreed to rule on whether United Shoe's machinery leasing system gave it a monopoly.

Should the higher court sustain the ruling of the District Court such action may prove beneficial to the Compo Shoe Machinery Corp., also engaged in the manufacture and leasing of certain types of shoe machinery. It also sells shoe adhesives, solvents and compounds, and through a 1953 acquisition, has added wood heels to its output. By comparison with United Shoe, Compo is a small company, total 1952 sales being $2.3 million, as compared with its contemporary's 1953 fiscal year's gross operating income of $65.6 million. Compo probably bettered this showing in 1953, its first nine months' volume rising to $3.4 million from $2.8 million in the same period of the year previous, although net of 57 cents a share to Sept. 30, last year fell below the 69 cents a share reported during 1952.

The same court ordeal that United Shoe Machinery Corp., is going through confronts the International Business Machines Corp. Government anti-trusters are hoping to prove IBM to be violating the anti-trust laws because of its leasing arrangements. The company is foremost as a mnufacturer of electrically operated bookkeeping and accounting machines and other equipment used by practically all lines of business for sorting, tabulating and computing statistical data, installed on a rental basis. Other mechanical devices, some of which are also rented, include time recording and indicating equipment, electric typewriters, electronic calculators. Some of the company's products are of a highly complex nature. The IBM electronic data processing machine, called the "701", employing the most advanced electronic storage or memory devices, can multiply and divide more than 2,000 times a second and can add and subtract more than 16,000 times a second. The first of the "701" machines built went into government service.

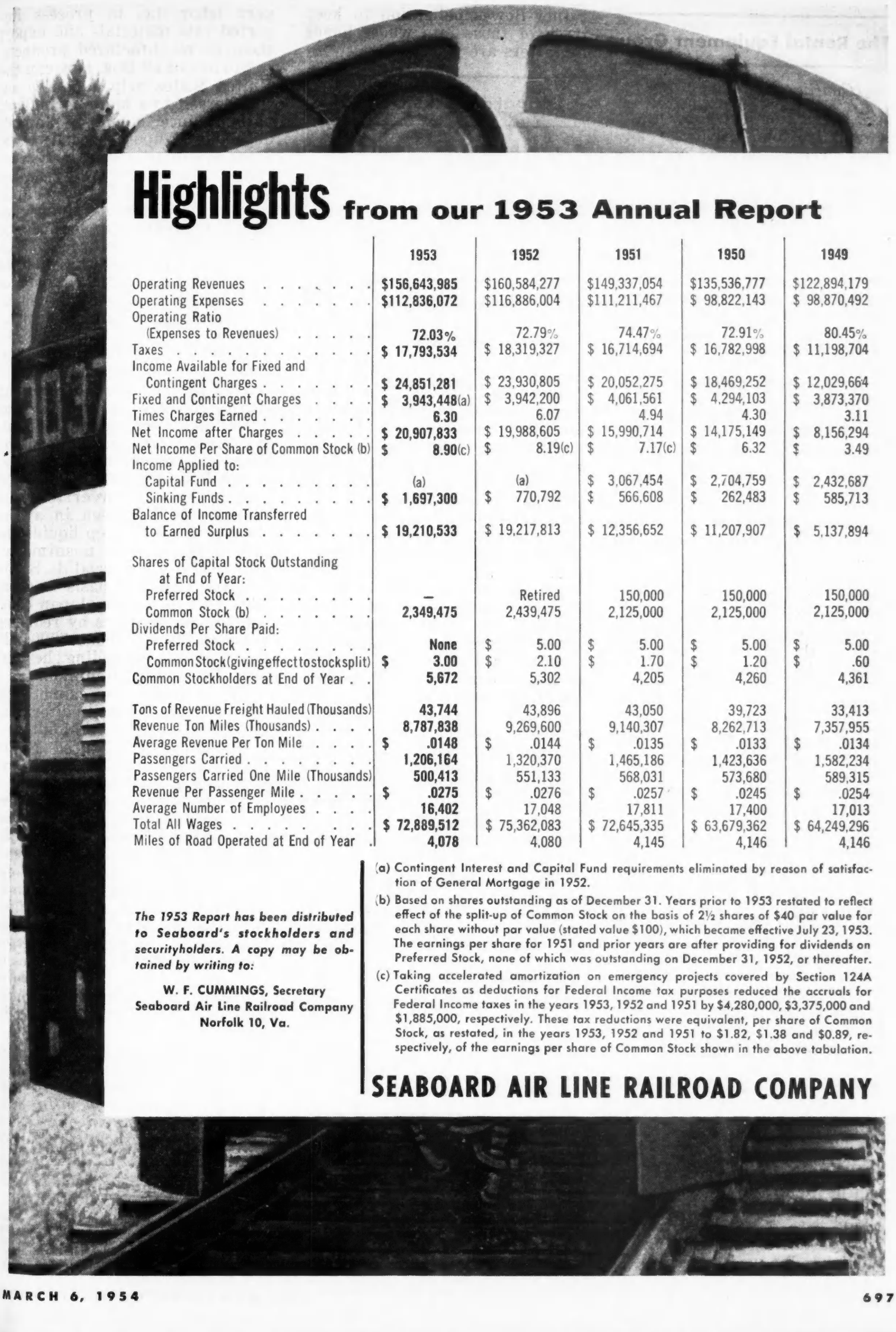
The first use of the machine, sometimes referred to as the "electronic brain" in bank cost analysis was recently made by IBM in cooperation with the National City Bank of New York. In what was considered a "pilot" test, what had taken more than 1,000 man-hours to accomplish previously was completed in exactly nine and one-half minutes. Some of IBM's mechanical devices, because of their complexity and need for proper servicing, don't lend themselves to outright purchase; in fact, the purchase price, especially for the "701" would be almost prohibitive. Leasing these machines seems to be the most equitable method, a fact attested by the growth of the company's business in the 10 years between 1944 to 1952 from $143.3 million to $333.7 million, a record high that was surpassed in 1953, with net income amounting to $10.67 a share, as compared with $9.34 a share in 1952, after adjustments for stock dividends that supplemented cash distributions of $4 a share in each of the last six years, and continuing an unbroken dividend record since 1913.

Closely parralleling IBM's "701" is Remington Rand's "Univac", an "electronic brain" capable of storing up 1,440,000 digits or characters and completing 1,905 additions or substractions, 465 multiplications, 257 divisions, or 2,740 comparisons per second. Several "Univacs" are now in government use, two of them with the Atomic Energy Commission. Its first industrial use will be at General Electric Co.'s major appliance division where it is expected to provide a cost saving of approximately $500,000 annually from the expense of performing a number of operations by conventional methods.

The "Univac" is but one of Remington Rand products available on a lease basis. Among its other equipment are tabulating machines, sorters, and card punches as well as auxiliary equipment that for the most part are leased on a yearly contract basis, rentals being payable monthly. The company, of course, is an important manufacturers of widely diversified products that it sells outright. The list includes standard and electric typewriters, Kardex systems for inventory and record control, and other card and filing systems, safe and filing cabinets, and numerous other items, including the Remington Shaver. In the postwar period net sales increased from $107.9 million in 1946 to $235.5 million for the fiscal year ended March 31, 1953, with net earnings for the latter year being equal to $2.71 a share for the common stock. Based on the showing for the nine months to Dec. 31, last, it is unlikely that net sales for the current fiscal year will equal the preceding 12 months' period. Conservatively estimating, net for the common stock is placed at approximately $2.20 a share, but this would be more than twice the $1.00 a share annual cash dividend requirements.

Many other companies have entered the equipment renting field

(*Please turn to page* 698)



Highlights from our 1953 Annual Report

	1953	1952	1951	1950	1949
Operating Revenues	**$156,643,985**	$160,584,277	$149,337,054	$135,536,777	$122,894,179
Operating Expenses	**$112,836,072**	$116,886,004	$111,211,467	$ 98,822,143	$ 98,870,492
Operating Ratio (Expenses to Revenues)	**72.03%**	72.79%	74.47%	72.91%	80.45%
Taxes	**$ 17,793,534**	$ 18,319,327	$ 16,714,694	$ 16,782,998	$ 11,198,704
Income Available for Fixed and Contingent Charges	**$ 24,851,281**	$ 23,930,805	$ 20,052,275	$ 18,469,252	$ 12,029,664
Fixed and Contingent Charges	**$ 3,943,448**(a)	$ 3,942,200	$ 4,061,561	$ 4,294,103	$ 3,873,370
Times Charges Earned	**6.30**	6.07	4.94	4.30	3.11
Net Income after Charges	**$ 20,907,833**	$ 19,988,605	$ 15,990,714	$ 14,175,149	$ 8,156,294
Net Income Per Share of Common Stock (b)	**$ 8.90**(c)	$ 8.19(c)	$ 7.17(c)	$ 6.32	$ 3.49
Income Applied to:					
Capital Fund	(a)	(a)	$ 3,067,454	$ 2,704,759	$ 2,432,687
Sinking Funds	**$ 1,697,300**	$ 770,792	$ 566,608	$ 262,483	$ 585,713
Balance of Income Transferred to Earned Surplus	**$ 19,210,533**	$ 19,217,813	$ 12,356,652	$ 11,207,907	$ 5,137,894
Shares of Capital Stock Outstanding at End of Year:					
Preferred Stock	—	Retired	150,000	150,000	150,000
Common Stock (b)	**2,349,475**	2,439,475	2,125,000	2,125,000	2,125,000
Dividends Per Share Paid:					
Preferred Stock	**None**	$ 5.00	$ 5.00	$ 5.00	$ 5.00
Common Stock (giving effect to stock split)	**$ 3.00**	$ 2.10	$ 1.70	$ 1.20	$ .60
Common Stockholders at End of Year	**5,672**	5,302	4,205	4,260	4,361
Tons of Revenue Freight Hauled (Thousands)	**43,744**	43,896	43,050	39,723	33,413
Revenue Ton Miles (Thousands)	**8,787,838**	9,269,600	9,140,307	8,262,713	7,357,955
Average Revenue Per Ton Mile	**$ .0148**	$ .0144	$ .0135	$ .0133	$ .0134
Passengers Carried	**1,206,164**	1,320,370	1,465,186	1,423,636	1,582,234
Passengers Carried One Mile (Thousands)	**500,413**	551,133	568,031	573,680	589,315
Revenue Per Passenger Mile	**$ .0275**	$ .0276	$ .0257	$ .0245	$ .0254
Average Number of Employees	**16,402**	17,048	17,811	17,400	17,013
Total All Wages	**$ 72,889,512**	$ 75,362,083	$ 72,645,335	$ 63,679,362	$ 64,249,296
Miles of Road Operated at End of Year	**4,078**	4,080	4,145	4,146	4,146

The 1953 Report has been distributed to Seaboard's stockholders and securityholders. A copy may be obtained by writing to:

W. F. CUMMINGS, Secretary
Seaboard Air Line Railroad Company
Norfolk 10, Va.

(a) Contingent Interest and Capital Fund requirements eliminated by reason of satisfaction of General Mortgage in 1952.

(b) Based on shares outstanding as of December 31. Years prior to 1953 restated to reflect effect of the split-up of Common Stock on the basis of 2½ shares of $40 par value for each share without par value (stated value $100), which became effective July 23, 1953. The earnings per share for 1951 and prior years are after providing for dividends on Preferred Stock, none of which was outstanding on December 31, 1952, or thereafter.

(c) Taking accelerated amortization on emergency projects covered by Section 124A Certificates as deductions for Federal Income tax purposes reduced the accruals for Federal Income taxes in the years 1953, 1952 and 1951 by $4,280,000, $3,375,000 and $1,885,000, respectively. These tax reductions were equivalent, per share of Common Stock, as restated, in the years 1953, 1952 and 1951 to $1.82, $1.38 and $0.89, respectively, of the earnings per share of Common Stock shown in the above tabulation.

SEABOARD AIR LINE RAILROAD COMPANY

The Rental Equipment Group

(*Continued from page* 696)

to a greater or lesser extent, but it will be found that, in most cases, rental income comprises but a small portion of total income. A good example of this is the Food Machinery & Chemical Corp., which in 1952 did a gross business, exclusive of sales of military products, of $161.4 million. Of this amount only $6.2 million represented gross revenue from leased machinery and processes used largely by food packing, processing and packaging companies.

Facts to Consider

While those companies in a position to rent equipment on reasonably long-term basis are assured of a stable income from this source, this is not necessarily a factor that should be given too much weight in considering their shares as investment media. For some companies operating in the rental field, competition is as keen as in those in which equipment is sold outright, and if a particular organization should acquire the bulk of the rental business, it is liable to be subject to scrutiny of the Federal antitrusters, possibly culminating in lengthy litigation such as that which forced the Hartford Empire Co., some years ago, to sell its glass-making machinery to those desiring to purchase it outright; or, in 1951, that ended in American Can's and Continental Can's compulsory leasing of equipment to can users. It would appear that the most strongly situated companies doing a leasing business are the tank and freight car lessors, Union Tank and General American Transportation, inasmuch as it is apparent they have no monopoly of the car business and the large shippers long ago showed preference to leasing their rail transportation equipment to owning it outright. Another possible exception is Ex-Cell-O Corp., because of the tie-in of the Pure-Pak packaging equipment with the special type of container. The Pitney-Bowes Co., also does not appear to be vulnerable to anti-trust action inasmuch as it is highly improbable that the U.S. Post Office Department would care to see the company's postage meter machines owned outright by users because of Pitney-Bowes obligation to keep track of those into whose hands its meters are placed.

Laggard Stocks Of 1954

(*Continued from page* 672)

indicated by the 40-cent payment ordered for March 2. Indications of further contraction in military truck orders contribute to an atmosphere of uncertainty that may depress sentiment.

Underwood Corp.—A realization that rising costs posed a serious problem for all manufacturers of office equipment accounted for the poor performance of this company's stock. A combination of reduced volume and uneconomic wage increases helped explain the exceptional advance in unit costs. At the same time non-recurring expenses were encountered in absorbing acquisition of the Electric Computer division. Other measures taken to broaden the company's activities in business machines and to minimize dependence on typewriters added to expenses. In discounting prospect of a dividend reduction, which came in the final quarter, the shares registered a sizable fall from the year's high. The prospect of keen competition still poses a significant handicap.

West Indies Sugar Co.—Restraining influences of price control and tight regulation of shipments of sugar to the United States placed a damper on enthusiasm for sugar stocks. Even shares of this leading Cuban and Dominican producer were adversely affected by the prospect of reduced earnings and a lower dividend. A cut in the quarterly rate last year, first to 50 cents and later to 25 cents, directed attention to unfavorable trends which investors were anticipating in shunning the stock. Although indications point to some improvement this year in harvesting, the outlook for profit margins is not especially reassuring. Some doubt must exist over stability of the indicated $1 annual rate.

Japan—Our Bastion in the Pacific

(*Continued from page* 669)

skilled labor in the Far East. To take care of her teeming population, Japan must essentially export labor, i.e. to process imported raw materials and export them as manufactured products.

In view of all this, how can the United States help Japan to adjust herself to a more normal situation, since obviously Japan's dependence upon special U. S. army spending cannot long continue? There are two ways of doing it. One is to help Japan with modernizing her industries and her production methods. A good start in this respect has already been made, with some 200 American firms giving assistance to Japanese concerns in technical matters and factory management. But more than that will be wanted: capital to finance purchases here of new equipment.

The second way of helping Japan consists in keeping the trade lanes open and in facilitating the interchange of goods by promoting convertibility. Since Japan buys for dollars and sells chiefly for inconvertible exchange, she has been in a constant struggle to keep liquid. The task of Japan is not unsurmountable. Since the special U. S. aid involved on a net basis is about $600 million a year, Japan could balance her accounts by reducing her imports by about $300 million and by expanding her exports by some $300 million.

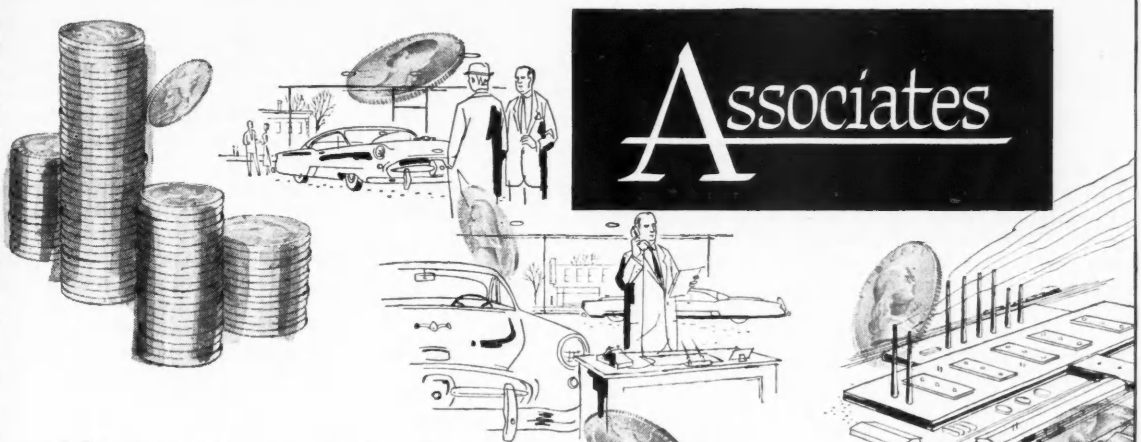
In conclusion one cannot help quoting from a recent editorial in the Christian Science Monitor:

Obviously the United States cannot indefinitely bear this (rearmament) burden. Obviously it is in no position to read moral lectures to the Japanese on the virtues of reversing the pacifist position which it earlier foisted on them. So obviously it must appeal on the basis of frankness and realism, to their recognition that it is to their advantage—no less than to America's—for Japan to take on the responsibilities of its own defense, to the degree that this will not wreck its shaky economy or its still shakier democracy.

Americans tend to think of Japanese survival in terms of armament. Japanese tend to think of their own survival in terms of trade. The enemy in one case is communism; in the other, hunger.

CORRECTION

Through a typographical error on page 492 of the January 23 issue, the item "net fixed assets" of Skelly Oil for the years 1946 and 1952 were given in reverse. The figures should have read $74.6 million for 1946 and $187.7 million for 1952 instead of $74.6 million for 1952 and $187.7 million for 1946.



Associates

Money is meaningless

...*unless it's in motion*

Money in motion is money at work. The coins and dollar bills you handle every day have little or no worth in themselves. They have real value only as a medium of exchange for goods and services. A major force in keeping money in motion as a medium of exchange is consumer credit, or retail installment financing.

Consumer credit's service in raising this nation's living standards is immeasurable. It has placed the products of America within the financial reach of the men and women who make those products. You can see why Associates Investment Company takes pride in being one of America's leading providers of consumer credit—one of the world's four largest automotive time sales financing institutions.

Thousands of automobile dealers of the nation use Associates' service as an aid to selling, and still more thousands of buyers take advantage of Associates' retail installment financing to acquire ownership of automobiles and trucks. Dealers keep Associates dollars at work in yet another way, through the wholesale financing of their new car inventories and advances on their used car stocks. And beyond the multi-million dollars at work in the automotive field, further millions are poured into the economic stream through personal installment loans at the home town Main Street level and through commercial loans to business and industry.

It's all money that flows, moves, functions—money with meaning. And Associates is proud to be a part of an industry that performs a major service in helping to keep this nation's economy flowing, moving, functioning.

ROBERT L. OARE, *Chairman of the Board*

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	Dec. 31, 1953	Dec. 31, 1952
Cash and Marketable Securities	$ 66,684,776	$ 68,638,560
Receivables:		
Retail motor vehicle installment receivables	$434,574,458	$372,957,016
Wholesale motor vehicle short-term loans	44,610,537	46,860,479
Direct and personal installment loans	38,227,746	34,373,278
Commercial and other receivables	35,013,194	28,696,977
	$552,455,935	$482,887,750
Less: Unearned discounts	32,482,543	28,733,293
Reserve for losses	11,890,358	10,392,105
Total receivables, net	$508,083,034	$443,762,352
Other Assets	6,668,544	4,877,945
	$581,436,354	$517,278,857

LIABILITIES	Dec. 31, 1953	Dec. 31, 1952
Notes Payable, short-term	$285,592,300	$289,798,400
Term Notes Due Within One Year	11,700,000	——
Common Stock Dividend payable January 4, 1954	1,406,462	——
Accounts Payable, Accruals and Reserves	33,192,386	29,234,615
Unearned Insurance Premiums	25,970,185	24,453,479
Long-Term Notes	109,455,000	65,005,000
Subordinated Long-Term Notes	35,000,000	37,500,000
Preferred Stock	9,700,000	9,800,000
Common Stock	31,254,720	10,418,240
Surplus	38,165,301	51,069,123
	$581,436,354	$517,278,857

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Year Ended Dec. 31, 1953	Year Ended Dec. 31, 1952
Discount, interest, premiums and other income	$ 91,014,968	$ 80,535,187
Operating expenses	62,360,906	55,622,724
Net income before Federal income tax	$ 28,654,062	$ 24,912,463
Provision for Federal income tax	15,150,000	13,175,000
Net income	$ 13,504,062	$ 11,737,463
Consolidated net earnings per share of common stock after payment of preferred dividends	$4.19	$3.62*

**Adjusted for 3-for-1 stock split effective March 27, 1953*

Associates Investment Company

Associates Discount Corporation

Emmco Insurance Company

—

South Bend, Indiana

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Measuring the Business Outlook

(*Continued from page* 657)

following a satisfactory course.

At the Retail Level

At retail, the same disparity as between durables and nondurables lines appears. The aggregate ratio of inventory to sales in soft goods lines remains well within historical norms, although in two instances—apparel stores, and general merchandise stores—the ratios are somewhat above pre-Korea experience. Demand for soft goods at retail has remained almost consistently firm throughout the recession of the last half of 1953, and inventories appear to be sound and in well balanced condition.

Among durables, on the other hand, ratios appear to be clearly high. At year-end, the aggregate inventory-sales ratio in consumer hard goods was the highest since the appliance glut of mid-1951. In autos, the ratio was about as high as any post-Korea experience, and fully 50% higher than in pre-Korea years. Among home-furnishings stores (including both appliance and furniture outlets) the ratio of inventory to sales is about one third above a typical pre-Korea ratio. At the end of 1953, sales of home-furnishings stores were running at a rate equal to their rate in early 1952, while their inventories were almost 10% higher.

Moreover, these book-value figures of hard goods inventories at retail probably understate the seriousness of the inventory problem. Over the past six months, prices of many consumer durables—notably the prices of used cars—have undergone a serious decline. The physical volume of consumer durable stocks has probably grown over the past six months, rather than declined. This conclusion is supported by the known figures on automobile stocks in units, which have recently swelled to an all-time record of over 600,000 cars. Used car stocks, not included in this count, are also close to a record level.

Inventories of Durables Wholesalers

Overlooked in many analyses of inventories and sales are inventories held at wholesale levels. This level now accounts for about one seventh of all business inventories, and recent developments at the wholesale level help to clarify the course of the current inventory recession. At wholesale, as at retail and manufacturing levels, the key developments have been in durables stocks. Wholesale inventories of hard goods have actually been shrinking at an encouragingly rapid rate of close to $250 million per month. The apparent reason for this rapid liquidation at wholesale has been the strength of final demand in defense, construction, and to a lesser extent, consumer hard goods. Wholesale sales of durables in December, and apparently again in January, have held at record levels. Under these conditions of relatively firm end-product demand, curtailment of shipments into wholesale businesses from the manufacturing sector has permitted a heavy drain on wholesale stocks.

A Few Conclusions

These data on trends in inventories, sales and new order position clarify a number of aspects of the 1953-1954 recession. In the first place, the recession can still be called an inventory adjustment among durables lines. Secondly, the first half of 1954 is, obviously, a crucial period for the adjustment. Inventory is now draining off business shelves at a rate of approximately $3 billion per year and the rate is likely to rise to as much as $5 billion per year by late spring, as the automobile industry undergoes a long-delayed liquidation of its stocks of finished automobiles. This rate cannot be maintained for long, particularly in the light of the falling ratio of inventory to sales in the critical wholesale sector. (In the 1949 recession, a $5 billion annual rate of liquidation was maintained for only one quarter).

On the other hand, in the course of the liquidation, durables indu

New Orders — Inventories - Backlogs - Sales

	Inventories	Sales	Inventory Sales Ratio	New Orders	Backlogs	Backlogs Sales Ratio
	(Billions of Dollars)					
DURABLES MANUFACTURING						
1950 — March	$ 14.1	$ 7.6	$ 1.86	$ 8.1	$ 20.0	2.63
June	14.6	8.9	1.64	10.1	21.7	2.44
September	15.1	9.7	1.56	12.0	32.1	3.31
December	16.8	10.3	1.63	12.2	36.5	3.54
1951 — March	18.1	10.9	1.66	15.2	51.0	4.68
June	19.9	10.4	1.91	12.4	57.5	5.53
September	21.8	10.0	2.18	10.3	62.0	6.20
December	22.7	10.1	2.25	10.4	64.0	6.34
1952 — March	23.4	10.8	2.17	12.5	67.5	6.25
June	23.3	10.2	2.28	12.6	71.4	7.00
September	23.5	11.9	1.98	12.6	74.5	6.26
December	24.4	12.5	1.95	12.7	72.2	5.78
1953 — March	25.0	13.1	1.90	12.5	72.4	5.53
June	26.0	13.2	1.98	12.4	70.1	5.31
September	27.0	12.7	2.12	10.1	64.2	5.06
December	26.8	11.6	2.31	9.5	55.9	4.82
NONDURABLES MANUFACTURING						
1950 — March	15.1	9.7	1.56	9.5	2.5	0.26
June	15.2	10.2	1.49	10.4	3.0	0.29
September	15.9	11.1	1.43	11.2	4.4	0.40
December	17.5	11.8	1.48	12.0	4.6	0.39
1951 — March	18.8	12.0	1.56	12.3	6.6	0.55
June	20.0	11.6	1.72	11.0	5.4	0.47
September	20.3	11.5	1.76	11.1	4.0	0.35
December	20.2	11.5	1.76	11.3	3.4	0.30
1952 — March	20.2	11.6	1.74	11.3	3.1	0.27
June	19.9	11.5	1.72	11.6	3.2	0.28
September	19.9	12.0	1.65	12.0	3.4	0.28
December	19.8	12.2	1.63	12.2	3.1	0.25
1953 — March	19.8	12.7	1.56	12.6	3.3	0.26
June	20.0	12.7	1.58	12.8	3.5	0.28
September	20.1	12.7	1.59	12.6	3.0	0.24
December	19.9	12.5	1.59	12.4	2.3	0.18

NOTE: All figures are seasonally adjusted, except backlogs.
Source: Department of Commerce.

tries — and particularly certain durables industries such as transportation equipment and non-electrical machinery—have become hypersensitive to further recession, owing to the marked rise in their inventory-sales ratios. The reversal of inventory policy occurred at a time when inventory was *accumulating* at extremely rapid rates in most durables industries; it has consequently taken a collapse of new orders to bring accumulation to a halt and commence even moderate liquidation.

To look merely at the sharp decline in manufacturing orders and backlogs is to draw a too pessimistic picture of the course of general business in 1954. The declines, while admittedly steep, are an inevitable part of a major inventory correction. But the production adjustments required to commence liquidation have also been severe—the decline in industrial output has already equaled the total decline in the 1948-1949 recession, and the losses in employment and overtime have reduced the earnings of factory workers by about $5 billion a year. This decline in incomes bearing on the consumer market has continued, and in fact accelerated, in early 1954.

Another consequence is that corporate profits in the last quarter of 1953 and the first quarter of 1954 have undoubtedly been struck a blow. This is particularly true of smaller corporations in marginal situations, where markets no longer permit them to sell at prices sufficient to cover their higher-than-average producing costs. Capital expenditures by these smaller companies are bound to suffer as their inflow of retained earnings declines.

Inventory Adjustment Incomplete

The implications of inventory recession for 1954 are thus threefold. Losses of consumer income, particularly among factory workers, plus the still heavy inventory position of consumer durables industries, suggests that the adjustment in this area is far from over, and that 1954 performance in these industries will fall substantially below 1953 in terms of both sales and profits. Secondly, with the decline in general business profits, it does not appear likely that sales and profits in capital goods industries—particularly in the fields of industrial machinery, industrial transport equipment, and machine tools—will approach the records of 1953, even if the severity of inventory liquidation should taper off by mid-year. Finally, the course of business in late 1953 and early 1954 has already determined that in the year ahead soft goods will fare considerably better than hard goods, in both industrial and consumer markets.

Analysis of the situation cannot be completed without reference to the relationship between the various factors of new orders, inventories and backlogs to excess productive capacity which is now quite marked generally. The speed of the decline in backlogs and the fall in the rate of new orders, combined with the still unsatisfactory inventory situation, suggests that surplus capacity will have an increasing effect in coming months. These different factors tend to feed each other and unless the trend is arrested, the cumulative effects can be quite marked. For that reason the trend in the next few weeks will be of extraordinary importance.

Titanium Coming of Age

(*Continued from page* 680)

turing costs by a third to a half of those under the Kroll process.

Horizons, Inc., 20 per cent owned by Ferro Corporation, has also proposed a new titanium metal manufacturing process.

Horizons has been working in the field of electrolytic production of titanium. It wants Government money to build a pilot plant, but thus far has not won approval of its proposal.

Another potential sponge producer is Dow Chemical, long a major producer of magnesium, a metal which plays an important part in the Kroll process for making titanium.

It does not appear at all likely that all of these new sponge producers will be awarded contracts by the Government within the next year. The new 7,000 or 8,000 ton plant which du Pont has agreed to design for the government, will be a modification of the Kroll process, rather than

(*Please turn to page* 702)

Titanium Coming of Age

(*Continued from page* 701)

some new low cost method. The Government is so eager to obtain more titanium, that it cannot afford to wait until new low cost processes have proven themselves.

The Union Carbide proposal, if approved, will add 10,000 tons additional capacity. Hence, with the 13,000 tons of capacity already in being or under construction, the new du Pont and Union Carbide proposals would add over 17,000 tons, making a grand total of 30,000. If Titanium Metals later this year decides to step up its participation, that would just about round out the entire new 37,000 ton goal now sought by the Government.

The other companies would then have more time to test their processes further in pilot plants. Possibly in 1954 or 1955, some or all of them may get into the picture. In addition to those mentioned previously other potential producers include Gliden-Bohn Aluminum, Eagle Picher, Calumet & Hecla and Kaiser Aluminum and Chemical Corp.

Right now, the odds favor Titanium Metals, du Pont, Cramet and Union Carbide as the Big Four of the titanium metal industry. Titanium Metals has the support and experience of two big metal producers—National Lead and Allegheny Ludlum. Du Pont and Union Carbide have vast experience in metal research, and should also succeed to overcoming the technical problems. Because Union Carbide is willing to gamble its own funds on a new and possibly more efficient process, it is the dark horse, and in a sense, a threat to the older producers, including Cramet.

But even if any producer enjoy success in cutting costs, of sponge production, an early price war should not be looked for, although Bureau of Mines experts feel sponge should go down to $3 a pound.

The producers will be reluctant to slash prices, as long as there is an assured market, and as long as their costly plants have not been written off. Titanium sponge is likely to drop slowly in price; and the price of sponge controls the price of titanium sheets and wire, except to the extent that, economies in fabrication can be achieved with larger volume.

The titanium sponge producers are only one part of the titanium industry. In addition there are half a dozen companies which are already rolling, casting and fabricating titanium. And there will be dozens more. Leaders in this phase of the business, aside from the Titanium Metals-Allegheny Ludlum-National Lead group, is Rem-Cru Titanium, jointly owned by Remington Arms (a du Pont subsidiary) and the Crucible Steel Co. of America.

Rem-Cru has been buying about 70 per cent of the sponge produced by du Pont. Its facilities have been financed by the parent companies. In addition, it has the facilities and experience of Crucible Steel, long employed in the stainless field, to back it up. Rem-Cru has pioneered in several developments. It rolled the first titanium sheet, and is currently shipping over 10 to 20 tons a month. It also produced the first wide titanium strip, and the first weldable all-alpha alloys. C. I. Bradford, Vice President of Rem-Cru, says he is convinced titanium will develop into a high tonnage material in the next ten to 20 years.

Other important fabricators of titanium are Republic Steel and Mallory-Sharon (the latter owned by P. R. Mallory and Sharon Steel).

Harvey Machine Co. of California is extruding titanium for aircraft uses. Elastic Stop Nut is making self-locking nuts out of titanium. The major fabricators generally buy the sponge, melt it into ingots and roll or fabricate it. The value added in such operations is substantial. The price of sponge is $5, and titanium sheets sell for better than $20 on the average. So the potential profit for fabricators is large, but competition will undoubtedly bring the margins down.

Another branch of the industry which recently captured attention is titanium ore. Union Pacific announced that it had found an additional large iron ore body totaling about 50 million tons in Wyoming, containing some titanium. As compared with other large titanium ore bodies, the Union Pacific ore previously discovered in this area averaged as high as 19 per cent titanium. Mines currently being operated in New York State run 40 per cent or better, and many ore bodies being worked are much richer than that. Hence the Union Pacific deposit cannot be re-

garded as rich, but they may prove workable.

Titanium ranks fourth in abundance among all the elements in the earth's crust. Mines are currently being operated at many points, primarily to supply the paint industry with titanium oxide, a pigment. One of the largest mines is that operated by Quebec Iron & Titanium (jointly owned by Kennecott and New Jersey Zinc) in Canada. This ore body has at least 125 million tons of titanium ore, possibly two or three times that amount, and could become an important supplier to the titanium metal industry.

Summarizing the titanium outlook, the metal has progressed remarkably well in the last two or three years, despite technical problems. It took the aluminum industry 10 years to achieve a 20 per cent improvement in aluminum alloy strength. Yet, within the last three years, titanium alloys have been developed for advanced jet engine design. If progress continues at this rate, the metal will achieve important tonnage uses.

Trend From Bonds To Stocks

(*Continued from page* 663)

in the past decade and a half the investment status of common stocks has been immeasurably improved. This comparatively low rating for common stocks as against bonds might be justified only on one ground—that is that a future depression, similar to 1929-33 would wipe out values. One can never say, of course, that such a catastrophe is impossible but is so remote that it should be discarded as a practical approach to the future of security values. The nation's economy has strengthened so enormously, its population is growing so rapidly and the living standards of the people advancing so markedly that an old-time depression hardly seems a reasonable prospect for many years to come. In addition, we have become more flexible as a people and as a government and, regardless of the Administration in power, it is certain that every resource of the nation would be thrown into the scales before a deep-seated depression would be permitted. This background furnishes a reasonable degree of confidence so far as long-term considerations applying to security values are concerned, though, as we know, ups and downs in the economy are bound to occur.

One of the principal factors accounting for the wide spread between the yield on stocks and bonds is the adverse effect of income taxes on dividend return. Imposition of high tax rates has had a deadly effect on the net return from stocks. Bond interest is also subject to taxes but most bonds are held by institutions which have special problems and which have little leeway in the type of securities in which they may invest. For the stockholder, however, the question of taxes on dividends is important. It is obvious, therefore, that under the conditions of high taxes the value of dividend return would be diminished by the degree to which it was cut by the income tax, and, consequently, reflected in a lower price per share.

Congress is soon to have the opportunity to pass on legislation proposed by the President which will legalize partial but rising tax-exemption on dividends. Should general income taxes be further reduced in future years, the value of dividend return would be proportionately enhanced.

Essentially, however, the changing investment status of common stocks is based on the massive values placed behind them through the years of development. In this respect, it may be said that the investment landscape bears very little relation to that of a generation ago. As yet, this fundamental fact has not received the full appreciation which it should but with an American investing public trained to appraise basic factors and to subordinate the importance of surface developments, common stocks of a sound type will come to occupy an even more prominent place in investment portfolios than is true to-day.

Answers to Inquiries

(*Continued from page 692*)

tially increased over the previous year by company's defense contracts, tufted floor covering and carpet rayon divisions and on balance these three divisions made an important contribution to company's earnings for the year.

Financial position at December 31, 1953 showed substantial improvement over a year ago. The company had no outstanding current bank loans at the close of the year, and net working capital was $31,065,000 and current assets were 6.6 times current liabilities, cash balances being in excess of current liabilities. Regular quarterly dividends of $1.12½ per share were paid on the preferred stock but no dividends have been paid on the common stock since March 1, 1952.

Granite City Steel Company

"Please advise on principal products produced by Granite City Steel Company, its size and its industry and its ingot production. Also recent earnings."
C. S., Spokane, Washington

Profit of Granite City Steel Company for 1953 totalled $6,488,000, after all charges, including Federal income taxes, as compared to $4,986,000 in 1952 and $5,727,000 in 1950, the previous peak profit year. Per share earnings after deducting preferred dividends, amounted to $3.77 per share on the 1,544,044 shares of common stock outstanding. This compares with $2.80 in 1952 and $3.28 in 1950, adjusted to the 1953 year-end capitalization and after deducting for preferred dividends.

Net sales for 1953 totalled $87,800,000 as compared to $47,600,000 in 1952 and $86,603,000 previous peak sales year 1951.

Ingot production for 1953 totalled 938,000 net tons as compared to 622,000 net tons in 1952 and 747,000 net tons in 1951, the previous peak production year. Shipments in 1953 totalled 805,000 net tons as compared to 699,000 net tons in 1952 and 821,000 net tons in 1951.

The company is an independent producer of flat-rolled steel products. It is an integrated operation —raw material such as iron ore, coal, limestone and scrap are received at the mill and converted into finished steel products. The company produces pig iron, coke oven by-products, plates, cold rolled sheets and coils, hot rolled sheets, galvanized roofing, electrical sheets, porcelain enameling sheets, electrolytic tinplate and tin mill black plate. A subsidiary develops and markets specialized fabricated products.

Granite City Steel Company is the 14th largest steel producer in the country on the basis of ingot capacity and the largest in the St. Louis area. In 1953, ingot production totalled 938,000 tons. Company recently completed a three year $75 million expansion program that more than doubled its capacity.

12% in stock dividends was paid in 1953 but no cash payments were made.

Hooker Electrochemical Company

"Please indicate the nature of Hooker Electrochemical Company's business, recent earnings, research program and dividends." T. W., Niagara Falls, N. Y.

Hooker Electrochemical Company manufactures a widely diversified list of heavy and fine industrial chemicals, extensively used in manufacturing and processing. The basic operation involves the decomposition of salt solution in electrolytic cells resulting in the production of chlorine, caustic soda and hydrogen.

Sales of the company for the fiscal year ended November 30, 1953 were $38,692,960 and this compares with 1952 fiscal year sales of $36,523,517.

Net income in the latest fiscal year was $3,378,341, equal after preferred dividends to $2.87 per share of common stock and compared with net income of $3,030,694 or $2.90 per common share reported for the fiscal year ended November 30, 1952. In February 1953 the company issued $9,714,700 of cumulative second preferred stock, series B.

In many respects, the close of the company's fiscal year 1953 may be regarded as the end of a two year transition period during which it prepared for operations on a broader scale in years to come. In 1952 and 1953, plans were laid, financing was arranged, and construction of the greatest expansion program ever undertaken by the company was brought near to completion. Concurrently, sales and earnings were maintained at a reasonably satisfactory level and continued progress was made in strengthening the company's research and sales organization so as to prepare it-

self to take advantage of the increased caustic soda and chlorine capacity soon to be available.

In 1953, expenditures for plant construction was $17,100,000, more than twice 1952 expenditures of $8,266,700, which had been the highest in company's history. The major portion of this sum was spent on the construction of a new plant at Montague, Michigan and the caustic soda and chlorine expansion at Tacoma. Tacoma expansion was completed and in operation in October 1953. The Montague plant is expected to be in operation some time early in March 1954. The Research and Development Department has contributed importantly to the growth of the company. Construction of a new Research Laboratory building is well advanced and the laboratories are expected to be ready for occupancy in April of 1954. The department did a good job in the past year in developing modifications of Hetron, new polyester resin, suitable for various uses in the automotive, building and pipe industries.

Dividend in 1953 totalled $2.00 per share and 50 cents was paid in the first quarter of the current year.

How We Have Outgrown Our New Transportation Arteries

(*Continued from page* 660)

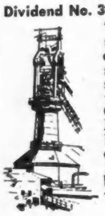
measurement. Along similar lines, is the proposed redevelopment project for Boston's Back Bay that is planned to provide parking, shopping, hotel and office facilities. Featured in this layout is a 40-story office building and underground parking space for 6,000 cars.

Some authorities, facing the problem of trucks blocking city streets are advocating changes in building codes, requiring commercial buildings to provide indoor platforms to take trucks off the streets while receiving or delivering cargoes. In dealing with parking problems, some cities, using general funds, have converted into parking spaces community owned property strategically located so that parkers can either walk or ride public transit to their destination. Such developments point to the increasing use of passenger conveyor belts. Such belts are already out of the dream stage. Intensive engineering studies over a five year period by Goodyear Tire & Rubber Co., in conjunction with the Stephens-Adamson Manufacturing Co., have made them a reality. The first of these passenger belt conveyors—a 272 foot "Speedwalk"—will be installed shortly in the ramp portion of the connecting tunnel between the Erie Railroad station and the Hudson & Manhattan tubes in Jersey City, N. J. Under consideration also are passenger belt systems for ball parks, race tracks, and other sports stadiums where the continuous flow principle of conveyors can solve congestion problems by belts on ramps and in tunnels leading to and from car parking areas. Designed and tested in all phases is a passenger conveyor belt to replace the Grand Central-Times Square subway shuttle in New York City. The use of "moving sidewalks," have been recommended for use in other cities as the only solution to the mounting traffic problems in highly congested areas.

It has been possible to note but not to measure the extraordinary effects of a rapidly burgeoning population on the development of large urban centers and their transportation systems. Efforts to provide facilities to keep pace with the expandng needs of the populaton—with its vast complex of industries – have thus far proven only a preliminary step inasmuch as they have actually fallen far short of their goals.

This is clearly illustrated by the inadequacy of even our new thruways already outrun by evermounting demands and which are creating new problems—both physically and financially, far more complicated than envisaged by road commissions and other authorities. The fact is that the planners have been caught in a rising tide of construction costs due to higher material and labor charges. In many cases, it takes from 25% to 50% more dollars than had been provided for in the original estimates, made only a few years ago, for their construction. The new 427-mile New York Thruway, for example, will cost, when completed, $50 million over the $500 million first contemplated. The new 120-mile expressway linking New York with Rhode Island will take $398 million to build instead of the original figure of $236 million. The Ohio Turnpike, stretching for a

(*Please turn to page* 706)



How We Have Outgrown Our New Transportation Arteries

(*Continued from page* 705)

distance of 241 miles, will cost an additional $26 million, and the New Jersey Turnpike has already cost $55 million in excess of the $235 million allowed for in the original estimate. A $96 million bond issue for the construction of an 88-mile turnpike between Charleston and Princeton, West Va., has had to be "upped" $37 million in order to complete the project.

All of these arteries are being financed through "revenue" bonds. Attendant increase in traffic over the turnpikes in operation have thus far produced earnings more than sufficient to service the debt. However, new congestion problems have arisen which had not been foreseen, thus multiplying operating costs and likely to cause a boost in toll rates on which these new traffic arteries depend.

As the mileage of the new express highways grows, the need for additional "feeder" roads into cities and, at the same time, lateral roads to syphon freight traffic, is intensified. These developments create new financial problems for the localities, many of which are not too enthusiastic about adding new transportation facilities under present high costs.

Nevertheless, with all these problems, construction cost compared with congested highways, accident hazards and the blight on business and workers, is the lesser of two evils. For this reason expansion of our highway systems and improvements in other transportation facilities must continue on a scale far beyond that already attained.

For many years, this will be one of the principal industries of the United States, creating a broad and strong foundation for individual industries such as steel, cement, the road equipment builders and all others directly relating to road and bridge building. At the present time, estimates place us some $30-40 billion behind in our highway construction. This figure is more likely to increase than to decrease in the coming years. As yet, we are barely keeping pace with replacement of older roads while building a minimum of new roads. When we start planning for the future on a realistic basis, expenditures for new roads, necessary bridges, tunnels and over-passes, as well as off-street parking facilities are likely to dwarf anything recorded to date. Along with these developments will be the rapidly increased use of the helicopter, the installation of "moving sidewalks," and other facilities that are still on the planning board.

Viewed from this broad standpoint, one can see that the new transportation systems being built and those of the future are not something separate from American industry and business, not to speak of the people themselves, but an integral part of a dynamic process of growth in which all these elements combine in developing our economic resources to a point far above anything reached as yet.

Effects of Taxations Investments by Individuals

By KEITH BUTTERS
LAWRENCE E. THOMPSON and
LYNN L. BOLLINGER

Taxes are only one factor among many which affect the investment decisions of individuals. Personal circumstances, attitudes, objectives, expectations—all contribute in shaping investment policies, and all must be taken into account if tax effects are to be appraised in perspective. The authors have therefore relied for their source material primarily on comprehensive interviews with a carefully selected sample of approximately 750 individual investors, many of whom had large incomes. This information, supplemented by other data—supplied mainly by the Survey Research Center—has furnished the basis for empirical generalizations in an area previously characterized by theoretical speculation.

The study investigates both the effects of taxes on the ability of upper bracket individuals to accumulate new investable funds under the current tax structure and on the basic investment policies of individual investors. As a by-product, the study also presents other interesting data, including a careful estimate of the concentration of stock ownership among the top income and wealth groups.

Harvard Business School $6.25

As I See It!

(*Continued from page* 653)

it becomes fully industrialized, and joined to the massive strength of the Soviets themselves, can fail to understand why Senator Knowland and millions of his compatriots are so deeply concerned lest by dropping our guard we give added strength to these menacing enemies. We, therefore, believe that Secretary Dulles has not done the wise thing in agreeing to sit down in conference with the Chinese Communists without making sure of our position and that Senator Knowland is on sounder ground in voicing his apprehensions.

Latest Developments in American Woolen

American Woolen's management proposed plan looking toward getting the company back on a sound operating basis stirred up a storm of considerable intensity with the winds blowing from several directions.

The first hostile move on the part of opposing factions was the court injunction blocking the meeting of common stockholders on the scheduled date. This, however, was lifted within a few days with the delayed meeting finally being held, management announcing, after the votes had been cast, that the plan to dispose of 11 of the company's New England mills and to retire the $4 Prior Preferred and the 7% preferred stocks had been approved by more than 2-to-1. Before the day had ended, there were rumblings of another storm. Among the opposition was heard talk of legal action for the purpose of staying the hand of management in executing its three-point plan. There were others expressing the opinion that management was trying to move too fast. (It had already set March 15—eight days prior to the annual meeting—for redemption of the prior preferred and purchase of whatever portion of the 7% preferred was tendered.) Then there was heard talk that before anything further was done, management should take time out to consider Textron's offer to take over control of Woolen.

Now, interests opposed to management have thrown up a second road-block. They have successfully petitioned the Massachusetts Suffolk Superior Court for a preliminary injunction restraining American Woolen from calling its prior preferred for retirement. Attorneys for the petitioners argued that the vote at the stockholders' meeting on February 3, did not represent the required majority of the outstanding common stock. The court will hear arguments on granting a permanent injunction at a date to be set. Meanwhile, management has appealed to the Massachusetts Supreme Court to set aside the Superior Court's temporary order that had been obtained by two minority stockholders, one of these being E. Howard Bennett who on Feb. 17, was elected to Woolen's board of directors.

The company is proceeding with its plan to form a subsidiary to handle disposal of the 11 mills as approved by the stockholders voting at the adjourned Feb. 3 meeting.

Woolen, in 1953, suffered another disastrous year. Net sales of $73.4 million, down by $38.3 million from 1952 volume, resulted in a deficit of $9.4 million, or $10.74 loss per share for the common stock. We will try to keep our readers abreast of further significant developments.

ECONOMIC CONTROLS AND DEFENSE

No one wants government controls. We impose them reluctantly—and usually too late—under the compulsions of a national emergency, and we discard them as soon as we can. But certain other evils are worse; a runaway inflation, threats to national safety.

This book is a contribution to our preparedness arsenal. It describes the possibilities and dangers of government "controls" in various degrees, from mandatory orders to incentives, and of various types — production programming, controls over materials, manpower, wages, price control and rationing. By showing when controls are needed and which ones are effective it will enable business executives and government administrators to act quickly and wisely in the event of sudden changes in the international situation.

Twentieth Century $2.00

THOSE PERPLEXING ARGENTINES

By JAMES BRUCE

Those perplexing Argentines is the story of a people—the perplexing, fascinating Argentines. Like most books on Latin America of the foreign scene, this is no dry, dusty warning. Or geographical political warmover. It's the warmest, most human book about any overseas land you've read in a long time, for it is concerned entirely with a vital, dynamic, infuriating people—and what makes them tick.

Packed with anecdote, revealing insider's characterizations, fascinating fact and foible, you'll feel, after reading it, that you not only know and understand the Argentines—but what they're likely to mean to our future.

You won't find statistical tables or studies on the local rainfall. Instead you'll discover what makes the people of the great capital of Buenos Aires behave as they do; their morals and mistresses, movies and manners, motivations and modesties.

Longmans $5.00

TRIUMPH AND TRAGEDY

By WINSTON S. CHURCHILL

With *Triumph and Tragedy* Sir Winston Churchill brings to a dramatic close his panoramic history of the Second World War. With all his brilliance, penetration, gusto, and first-hand knowledge, the only leader who in a position of power fought the war from beginning to end writes the history of this most exciting last year, from the landing on the Normandy beaches to the atom bomb and the overpowering of Japan.

Behind the brilliant panorama there is always the roar of conflict: Paris is freed; London stands firm under the pilotless bombs; Warsaw is betrayed; Tito rises to power; Japan's navy is destroyed in Leyte Gulf; Mussolini meets his sordid end; Hitler shoots himself in the air-raid shelter of the German Chancellery; the Iron Curtain is drawn—triumph of arms for the world of reason and decency, but tragedy as new perils threaten our anxious world and rob the victory of the fruits of peace.

H. M. Co. $6.0

"Review of International Commodity Problems, 1952"

This review was prepared by the Interim Co-ordinating Committee for International Commodity Arrangements established in 1947 in accordance wit the provisions of resolution 30 (IV) o the Economic and Social Council.

In accordance with the terms of thi resolution of the Economic and Soci Council, the Committee has kept itse informed of current developments i the commodity field. One of the chapte of the report deals with inter-gover mental consultation and action on con modity problems, and an appendix the report surveys the current situati in the principal primary commoditi entering into international trade.

Under Council resolution 373 (XII of September 1951, the chairman of t Committee is appointed on the non nation of the Contracting Parties to t General Agreement on Tariffs a Trade. At their 1952 session, the Co tracting Parties nominated Sir Jam Helmore to continue as chairman. Du ing 1952, Mr. Stanley Andrews fou it necessary to resign from the Co mittee because of a change in his sponsibilities, and the Food and Ag culture Organization of the Uni Nations nominated Mr. John J. H gerty as the member concerned pa cularly with agricultural commoditi in his absence, Mr. Robert Schweng the alternate member nominated by Food and Agriculture Organization, tended the formal session of the Co mittee held in Geneva in October 19

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